



SUPPORT FOR ECONOMIC AND FISCAL REFORM PROJECT

Module #3

EXECUTION OF LOCAL BUDGETS ACCORDING TO THE BUDGET CODE OF UKRAINE

TRAINER'S GUIDE

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Ministry of Finance of Ukraine
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Execution of Local Budgets According to the Budget Code of Ukraine. Trainer's Guide. Based on the research and assistance of Serhiy Melnyk, Saule Ilinykh, Victor Polischuk, Iryna Trushkevych and Victor Teres.

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Table of contents

Training Schedule.....	4
Introduction to Training	6
Pre-Training Test - “Execution of Local Budgets According to the	7
Budget Code of Ukraine”	7
Brainstorming - “Positive Features of the Execution of Local Budgets under the Budget Code”	16
Brain Ring - “Execution of Local Budgets”	18
Moderator-led discussion: Problematic Issues in the Process of Execution of Local Budgets in 2002.....	21
Case Studies - Management of Balances of Budget Funds and War of Decisions	22
Interaction and Responsibilities of the Budget Process Participants.....	26
Quick Answer Session - Budget Apportionment	28
Practical Task - Balancing the Monthly Apportionment of Local Budgets.....	30
Team Exercise - Analysis of Operating Budget	33
Case Study - Personal Income Tax.....	36
Mini-Analysis: Budget Code as My Personal Priority	39
Mini-Case Study - Road Program	40
Role Play - Public Procurement	43
Mini-Case Studies: Analysis of Expenditures of a Raion Hospital (14-a) and Changing of a Local Budget Decision (14-b).....	49
Mini-Test: What is Treasury?.....	53
Team Exercise - General Scheme of Local Budget Expenditure Management	55
Mini-Test: Control of Compliance with Budget Legislation and Responsibility for Budget Violations	57
Practical Task - Evaluation of the Fiscal Condition of a Local Budget	60
Post-Training Test: - Execution of Local Budgets	63
Module #3 Alternative Training Methods.....	71

Training Schedule

Execution of Local Budgets according to the Budget Code of Ukraine

Day 1	
10.00 – 10.15	Opening of Module #3 “Implementation of Budget Code Provisions”. Introduction. Goals and Objectives. Principles and Rules of Training.
10.15 – 10.30	Formation of Teams. Getting acquainted. Introduction of partners: What I Like about my Trainer Colleague. Presentation of teams.
10.30 – 10.45	Individual Work. Test “Execution of Local Budgets according to the Budget Code of Ukraine” (Pre-Training Test).
10.45 – 11:00	Work in Teams. Test “Execution of Local Budgets according to the Budget Code of Ukraine” (Pre-Training Test).
11:00 – 11:15	Joint Discussion. Summary of the test results. Resolution of debatable issues.
11.15 – 11.30	Brainstorming. Advantages of the Process of Execution of Local Budgets according to the Budget Code.
11.30 – 11.45	Coffee Break.
11.45 – 12.00	Mini-Lecture. Execution of Local Budgets According to the Budget Code: Core Differences.
12.00 – 12.15	Quick Answer Session. Process of Execution of Local Budgets.
12.15 – 12:25	Information. Specific Features of Execution of Local Budgets in 2002.
12:25 – 12:40	Moderator-led Discussion. Problems of Execution of Local Budgets in 2002.
12:40 – 12:50	Introduction to Task. Resolution of Problematic Issues in the Process of Execution of Local Budgets.
12:50 – 13:50	Lunch.
13:50 – 14:30	Case Studies “Management of Balances of the Budget Funds” and “War of Decisions.”
14:30 – 14:50	Sharing Experience. Execution of the local budgets in 2002.
14:50 – 15:05	Mini-Lecture. Coordination of the Participants of the Budget Process with Regard to Budget Execution.
15:05 – 15:20	Coffee Break.
15:20 – 15:40	Work in Sub-Teams. Practical task “Interaction and Responsibilities of the Participants of the Budget Process.”
15:40 – 16:10	Colloquium. Coordination and Responsibilities of the Participants of the Budget Process.
16:10 – 16:25	Mini-Test. Budget Apportionment.
16:25 – 16:40	Interactive Lecture. Specific Procedures for Formulation and Execution of the Apportionments of Local Budgets.
16:40 – 16:50	Coffee Break.
16:50 – 17:10	Practical Task. Balancing Apportionment of Local Budgets.
17:10 – 17:35	Joint Discussion. Presentation of Team Solutions. Discussion of the Mechanism for Formulation of Apportionment of Local Budgets.
17:35 – 17:45	Mini-Lecture. Operating Budget of Revenues and Expenditures of a Budget Institution.
17:45 – 18:00	Team Exercise. Analysis of Operating Budget.
18:00 – 18:25	Joint Discussion. Presentation of Teams’ solutions.
18.25 – 18.35	Getting feedback “My Impressions of the First Training Day”
18.35 – 18.45	Practical tasks for individual work (case studies and optional tasks).
18:45 – 19:45	Dinner.

Day 2

08.30 – 08.40	Interactive Lecture. Execution of Revenues of the Local Budgets and Expenditure Management.
08.40 – 09.20	Case Study. Personal Income Tax.
09.20 – 09.35	Information. Relationship between Budget Execution and Program Evaluation.
09.35 – 10.05	Case Study. Road Sector Program.
10.05 – 10.20	Coffee Break.
10.20 – 10.30	Mini-Lecture. Procurements for Public Funds.
10.30 – 11.30	Role Play. Public Procurement.
11.30 – 11.40	Introduction to Task. System of Expenditure Control.
11.40 – 12.30	Case Studies. “Analysis of Expenditures of a Raion Hospital and Making Changes in the Decisions about a Local Budget.”
12.30 – 12.45	Mini-Test. What is Treasury?
12.45 – 13.00	Mini-Lecture. Treasury Servicing of Revenues and Expenditures of the Local Budgets.
13.00 – 14.00	Lunch.
14.00 – 14.30	Team Exercise. Development of the General Pattern for Expenditure Management of Local Budgets (optimal option).
14.30 – 15.00	Joint Discussion. Discussion of Expenditure Management Patterns Suggested by the Teams.
15.00 – 15.15	Mini-Test. Control of Compliance with the Budget Legislation and Responsibility for Budget Violations.
15.15 – 15.30	Information. Reporting on Execution of Local Budgets.
15.30 – 15.45	Coffee Break.
15.45 – 16.15	Practical Task. Evaluation of the Fiscal Condition of the Local Budget.
16.15 – 16.30	Individual work. Test “Execution of Local Budgets” (Post-Training Test).
16.30 – 16.45	Work in Teams. Test “Execution of Local Budgets” (Post-Training Test).
16.45 – 16.55	Joint Discussion. Summary of the test results. Selecting the winning team.
16.55 – 17.20	Summary of the training results. Evaluation by participants. Certificates.

Introduction to Training

Introducing the Training Seminar Alternative Training Methods

Goal of introduction:

1. Emphasize the importance of continuing the Budget Code Training Program.
2. Apprise the trainers of the results of the second Module in the regions.
3. Present the goals and objectives of the Training Module “Execution of Local Budgets According to the Budget Code of Ukraine”.
4. Present the training schedule.
5. Organize teams, create friendly atmosphere, prepare the audience for constructive and fruitful work.

Introduction methods:

- Background information on the training organizers;
- Introduction of the trainers;
- Goals and objectives of the training;
- Structural and logical scheme;
- Methods and forms of training;
- Presentation of the training manual’s contents;
- Seminar rules;
- Building teams:
 - *draw of names is suggested;*
 - *teams up to 5-6 persons; and*
 - *each team has representatives from different financial authorities and entities.*
- Getting acquainted (trainer’s discretion);
- Teams’ names and mottoes; and
- Presentation of the teams (names and mottos) and participants.

Alternative training method: **Getting acquainted**

The purpose of “Getting acquainted” is to make the participants comfortable and prepare them for further work.

Option 1. The training participants introduce themselves.

Option 2. The training participants introduce themselves in their teams. Then, a team member introduces his/her teammates.

Option 3. All the participants form subgroups of two. Then, the participants introduce themselves (5-7 min.). Then, during the joint meeting, each participant introduces his/her partner.

Handouts and equipment:

- Transparencies;
- Flipchart (5 sheets);
- Markers;
- Name plates (according to the number of participants); and
- Plates with the team colors.

Pre-Training Test - “Execution of Local Budgets According to the Budget Code of Ukraine”

Task #2 Presentation Methods Alternative Training Methods

Goals

1. Evaluation of participants’ knowledge in the execution of local budgets according to the Budget Code of Ukraine;
2. Comprehension of new approaches in the execution of local budgets;
3. Development of team spirit during the test; and
4. Increased knowledge and understanding of the Budget Code provisions related to the execution of local budgets.

Presentation methods

The trainer gives out the tasks:

1. Each team member individually answers the questions of the Pre-Training Test “Execution of Local Budgets According to the Budget Code of Ukraine” (15 min.), fills out Form #1 and hands it to the trainer.
2. After the individual work, each team finds the correct answers to the Test “Execution of Local Budgets According to the Budget Code of Ukraine” (team discussion – 20 min.).
3. Based on the discussion, each team fills out Form #2 and hands it to the trainer.
4. The trainer hands out Form #3 with the keys to the test, and the participants calculate the team results (5 min.). Evaluation system: three points for every correct answer, for a maximum of 90 points. The teams inform the trainer of the results.
5. The trainer answers the most difficult questions on the test.
6. The trainer calculates the test results, tables and compares them, and determines the winning team.
7. The winner receives the banner temporarily.
8. During the coffee break the trainer identifies and rewards the three top scoring winners, based on their answers.

Alternative training method: *Mini-test*

1. The trainer reads a question to a pre-identified team.
2. A team member answers the question.
3. If the answer is wrong, another team has a try.
4. After the mini-test, the trainer makes a summary and identifies the winner.
5. The trainer rewards the winning team or participant.

Handouts and equipment:

- Pre-Training Test “Execution of Local Budgets According to the Budget Code of Ukraine” with correct answers;
- Form #1 (30 sheets);
- Form #2 (5 sheets);
- Form #3 (30 sheets);
- Table “Team’s Results”
- Awards for winners;

- Banner for winning team; and
- Markers.

Pre-Training Test
“Execution of Local Budgets According to the Budget Code of Ukraine”
 (* indicates the correct answer)

- What is budget apportionment?**
 - Plan of distribution of budget appropriations.
 - Document which establishes distribution of revenues and budget funding.*
 - Document which contains the amounts of cash for the key spending units.
- Does the Cabinet of Ministers of Ukraine have the right to redistribute subventions from the State Budget of Ukraine between the local budgets in 2002?**
 - The Cabinet of Ministers of Ukraine only makes proposals to the Verkhovna Rada of Ukraine.
 - No.
 - Yes, through coordination with the Budget Committee of the Verkhovna Rada.*
(Article #34, Law on State Budget)
- If the decision is made to postpone the decision on the local budget, the expenditures are made:**
 - According to the decision for the previous budget period, except for the capital expenditures.* (Article #122, clause 4, Budget Code)
 - According to the approved decision, except for the capital expenditures.
 - On protected items according to the approved decision, except for the capital expenditures.
- What agency ensures execution of the local budgets?**
 - State Treasury units.
 - Local tax authorities.
 - Council of Ministers of the Autonomous Republic of Crimea, local State administrations, and executive authorities of local radas.* (Article #78, Budget Code).
- Can any local borrowing be done before making the decision on the local budget?**
 - Only to cover cash deficit.
 - Only to repay the principal sum of debt.
 - ? and ? are wrong.*
- The Treasury servicing of the local budgets envisages:**
 - Cash and payment servicing of the spending units.
 - Control of budget authorities.
 - ? and ? are correct. * (Article #48, Budget Code)
- During the budget period, the head of a local financial authority provides for:**
 - Compliance of the apportionment with the set budget appropriations. * (Article #78, clause 3, Budget Code).
 - Compliance of budget commitments with the allotment.
 - ? and ? are correct.

8. Payments on execution of guarantee obligations belong to:

- a. Current expenditures.
- b. Repayment of the principal sum of debt. * (Article #17, clause 3, Budget Code).
- c. ? and ? are wrong.

9. Guarantees are provided on the basis of:

- a. Property mortgage.
- b. Repayment.
- c. ? and ? are correct. * (Article #17, clause 2, Budget Code).

10. At what stage of the budget process are financial control and evaluation of spending efficiency exercised?

- a. Budget formulation.
- b. Budget execution.
- c. ? and ? are correct. * (Article 26, Budget Code).

11. Payments from the budget are based on:

- a. Budget commitments.
- b. Budget allocations.
- c. ? and ? are correct. * (Article #51, clause 8, Budget Code).

12. Do natural persons and legal entities which do not have the status of budget institutions receive budget funds?:

- a. If these amounts are approved by the decision on the budget. *(Article #21, clause 2, Budget Code).
- b. Only through the spending units.
- c. ? and ? are correct.

13. Balances of unused allocations are carried over to the next period based on the:

- a. Decision of the local rada.
- b. Decision of the head of a local financial authority if the balance is available at the beginning of the year.
- c. ? and ? are wrong. * (Article #23, clause 7, Budget Code).

14. Do budget institutions have the right to borrow?

- a. Yes, if this is envisaged by the decision on the budget.
- b. Yes, if temporarily free funds are available.
- c. No. * (Article #21, clause 3, Budget Code).

15. What is the period for submission of proposals on adjustment of budget appropriations to the local radas if the situation requires less appropriations?

- a. Two months.
- b. Two weeks. * (Article 23, Budget Code).
- c. One week.

16. Revenues from the flat-rate tax on revenues from entrepreneurial activities are entered into the local budgets in accordance with:

- a. Procedures established by the Cabinet of Ministers of Ukraine.
- b. Procedures established for the personal income tax. *

- c. ? and ? are correct.

17. Is it allowed to finance separate budget institutions or programs from different budgets?

- a. Prohibited, except for those specified in the Law on the State Budget.
- b. Prohibited. * (Article #85, Budget Code).
- c. ? and ? are correct.

18. In what cases can decisions be made on changes in the decisions on local budgets?

- a. Over-execution or under-execution of revenues of the general fund.
- b. Changes in intergovernmental transfers.
- c. ? and ? are correct. *

19. Redistribution of subventions from the State Budget between the local budgets in 2002 is allowed on the basis of:

- a. Actually paid amounts of privileges, subsidies and assistance.
- b. Actually calculated amounts of privileges, subsidies and assistance. *
- c. ? and ? are correct.

20. When are taxes, duties and other revenues recognized as revenues of the local budget?

- a. When entered on the account of the local budget. * (Article #78, clause 5, Budget Code).
- b. When entered on detailed accounts of the State Treasury units.
- c. ? and ? are correct.

21. What revenues of the general fund of the State Budget are used for the equalization grant?

- a. Income tax on communal enterprises.
- b. VAT on goods manufactured in Ukraine.
- c. ? and ? are wrong. * (Article 35, Budget Code).

22. What are the stages of execution of expenditures of the local budgets?

- a. Undertaking commitments.
- b. Use of goods and services for implementation of budget programs.
- c. ? and ? are correct. *

23. Revenues that exceed plans and are distributed between the State Budget and the local budgets are shown in reports as an:

- a. Equalization grant.
- b. Additional grant. * (Article #37, Budget Code).
- c. Excess of revenues over expenditures.

24. Local programs of social protection are funded at the cost of:

- a. Subventions from the State Budget.
- b. Revenues which are not taken into account for calculation of intergovernmental transfers. * (Article #91, Budget Code).
- c. ? are ? correct.

25. Financial authorities prepare registers of amounts of the privileges for veterans and assistance for families with children on the basis of:

- a. Reports on the performed works.
- b. Reports on verification of payments for the services rendered.
- c. Registers of key spending units. *

26. Expenditures for servicing of the debt of the Autonomous Republic of Crimea and the local budgets are made at the cost of:

- a. Capital budget.
- b. Special fund.
- c. General fund. * (Article #91, Budget Code).

27. Quarterly and annual reports on execution of local budgets are submitted to the local radas within the period of:

- a. One month.
- b. Two months. * (Article #80, clause 4, Budget Code).
- c. By April 1.

28. Budget allocations may be terminated in case of:

- a. Misuse of budget funds.
- b. Violation of requirements as to the budget commitments by the spending units.
- c. ? and ? are correct. * (Article #117, Budget Code).

29. Upon enactment of the Law on the FY2002 State Budget, the State authorities are prohibited to make decisions on:

- a. Redistribution of allocations. * (Article 78, clause 10, Budget Code).
- b. Decisions which are not secured by budget allocations.
- c. ? and ? are correct.

30. Subventions for implementation of the State programs for social protection are transferred:

- a. Once a month (on the 5th).
- b. Twice a month (on the 5th and 25th). *
- c. Three times a month (on the 5th, 15th and 25th).

Individual Test #1
"Execution of Local Budgets"

#	Answers	Score	#	Answers	Score
1.			16.		
2.			17.		
3.			18.		
4.			19.		
5.			20.		
6.			21.		
7.			22.		
8.			23.		
9.			24.		
10.			25.		
11.			26.		
12.			27.		
13.			28.		
14.			29.		
15.			30.		

	+	-
Maximum possible score	90	
Your score		

Team Test #1
"Execution of Local Budgets"

#	Answers	Score	#	Answers	Score
1.			16.		
2.			17.		
3.			18.		
4.			19.		
5.			20.		
6.			21.		
7.			22.		
8.			23.		
9.			24.		
10.			25.		
11.			26.		
12.			27.		
13.			28.		
14.			29.		
15.			30.		

	+	-
Maximum possible score	90	
Your score		

Key to Test #1
Test "Execution of Local Budgets"

#	Answers	Score	#	Answers	Score
1.	B		16.	?	
2.	C		17.	?	
3.	A		18.	?	
4.	C		19.	?	
5.	C		20.	A	
6.	?		21.	C	
7.	A		22.	?	
8.	B		23.	B	
9.	?		24.	B	
10.	?		25.	?	
11.	?		26.	C	
12.	B		27.	?	
13.	C		28.	C	
14.	C		29.	B	
15.	B		30.	B	

	+	-
Maximum possible score	90	
Your score		

Teams' results

#	Content and # of task	TEAMS				
		# 1	# 2	# 3	# 4	# 5
1	Test #1. Results					
2	Brain Ring #4. <i>Process of Execution of Local Budgets.</i>					
3	Mini Test #8. <i>Budget Apportionment.</i>					
4	Mini Test #15. <i>What is Treasury?</i>					
5	Mini Test #17. <i>Control over Compliance with the Budget Law and Responsibility for Budget Violations.</i>					
6	Test #2. Results					
Total score						
Position						

Brainstorming - “Positive Features of the Execution of Local Budgets under the Budget Code”

Task #3 Presentation Methods Alternative Training Methods

Goal

To help the trainees understand the positive differences of the execution of local budgets under the Budget Code.

Presentation methods:

1. Each team identifies the positive differences of the execution of local budgets under the Budget Code (5 min.).
2. During the brainstorming the trainer lists the positive differences on the flipchart.
3. Summary, comments.
4. The materials are to be used during the Mini-Lecture “Execution of Local Budgets according to the Budget Code: Main Differences”.

Alternative training methods:

“Moderating”

1. The trainer hands out several cards to each team (30-35 cards according to the number of participants).
2. The trainer gives questions identifying the problematic issues to each team.
3. The trainer groups questions according to one of the identified features.
4. Using sticky dots, the trainer identifies the most acute problems.
5. Summary. Priority-setting.
6. The materials are to be used during the following tasks.

“Discussion”

Discuss/justify the positive differences using the information below:

Handouts and equipment:

- Flipchart;
- Color cards for moderating; and
- Markers.

Positive Features of the Execution of Local Budgets under the Budget Code

1. Independence:

- a) division of expenditures and establishment of revenues;
- b) the seeking of and making optimal decisions;
- c) strengthened analytic methods;
- d) development of own instructions;
- e) active financial policy;
- f) incentives for increasing revenues; and
- g) Application of new formulae for analysis; evaluation of tasks and programs.

2. Clear-cut procedure of budget execution process;

3. Treasury servicing of local budgets;

- a) registration and accounting of obligations;
- b) preliminary control (control of consistency of operating budget apportionments); and
- c) operational control and information for optimal decision-making.

4. **Budget liabilities match budget allocations (prevention of arrears);**
5. **Heightening of responsibility of the budget process participants (regulation of a budget violation, mechanism of termination of transactions with budget funds);**
6. **Non-cash receipts are forbidden;**
7. **Mechanism of automatic transfer of equalization grants;**
8. **Financing of state programs;**
9. **Budget orders are placed on competitive (tender) basis;**
10. **Entities are financed from one budget; and**
11. **Accounting is done to the international standards.**

System of commitments

A system employed to account for and control budget execution and to prevent arrears.

Any orders should be placed, contracts awarded, goods, services and works procured according to the budget allocations, i.e. allocations are the ceilings of commitments.

The foundation of the system is in recording every single step, starting from the registration of commitments up to their execution (including dates, payments and arrears).

A logbook (commitment registrar) records allocations (available appropriations) and allocations for commitments; a respective note is made in the execution line. Commitments are added until the ledger balances to zero. The registrars are maintained for each spending unit. Once funds are available the overdue commitment, or part of it, is repaid. The spending unit prioritizes the settlement of bills on the basis of meeting the first priority objectives. The differences are the unfunded commitments.

Brain Ring - “Execution of Local Budgets”

Task #4 Presentation Methods Alternative Training Methods

Goals

1. Stimulate work of the participants.
2. Get prepared for consideration of the topic: “Positive features of the execution of local budgets under the new Budget Code”.
3. Select the winning team in terms of which team is most knowledgeable about the Budget Code provisions on the execution of local budgets.

Presentation methods:

1. Give the procedural information.
2. One trainer shows a transparency and reads questions from the Budget Code (10-15 questions) on the execution of local budgets. Give only 30 seconds for reflection.
3. Each team nominates a team leader who will raise his/her hand to identify the individual responding to the question.
4. The team leader who raises his/her hand first has the right to answer. If the answer is wrong, this right is passed to the team whose team leader was next to raise his/her hand.
5. Another trainer watches the teams to correctly identify the teams in order and to calculate the scores. Each correct answer is awarded three points.
6. After the Brain Ring the trainers summarize and list the results. The winning team gets awarded.
7. The trainers identify the winner according to the results of the previous tests. The winner receives the banner temporarily.

Alternative training method: *Mini-Test*

1. The trainer identifies the team which is then asked the question.
2. One of the team members answers the question.
3. If the answer is wrong, the right to answer is passed to another team.
4. After the Mini-Test the trainer summarizes the results and identifies the winner.

Handouts and equipment:

- Transparencies with questions “Execution of Local Budgets”;
- Working table to record the correct answers;
- Markers;
- Table “Team’s Results”;
- Awards for the winners; and
- Banner for the winning team.

Correct Answers for the Brain Ring “Execution of Local Budgets”

1. What is Budget Process?

Legally regulated activities associated with the formulation, consideration and approval of budgets, their execution, and control tools, as well as consideration of the progress reports on the budget.

2. What is considered to be debts of a local self-government?

A total of arrears of the local self-government, including all issued and unfunded debt liabilities as well as debt liabilities coming into effect after loan guarantees are issued, or liabilities resulting from the law or an agreement.

3. What are the cases in which the State is responsible for local borrowing commitments?

The State assumes no responsibility for borrowing commitments related to the local budgets.

4. What are the classifications for land fees?

Land tax on legal entities.

Rent fee on legal entities.

Land tax on natural persons.

Restructured total of land fee arrears.

Rent fee on natural persons.

5. What is the peculiar feature of the protected expenditure items in the budget?

The protected items cannot be modified when the approved budget appropriations are cut.

6. Who sets the uniform accounting standards for all financial operations?

The State Treasury, in conjunction with the Ministry of Finance.

7. What is the procedure for crediting budget revenues and expenditures?

The revenues and expenditures are credited chronologically according to a set procedure.

8. What is the ground for approval of an allotment?

Budget allocations according to an approved budget apportionment.

9. Budget revenues are divided into which main groups?

Tax receipts.

Non-tax receipts.

Revenues from capital transactions.

Official transfers.

State trust funds.

10. When does the spending unit decide on payment of goods, works and services?

After the goods, works and services are received, according to the terms and conditions of the undertaken budget commitment.

11. What does a budget entity's allotment define?

The allotment defines the amounts and spending priorities for a budget entity to perform its functions and meet its objectives and goals.

12. For what does the Treasury servicing of local budgets provide?

- operations with budget funds;
- pay and cash servicing of spending units;
- control of budget authorities when receipts are credited, obligations undertaken and payments made; and
- accounting and budget execution reporting.

13. Who is responsible for the organization of an effective and efficient system of internal control over the entity's financial and economic activities?

The manager of a respective entity.

14. In which cases can decisions on the local budget be modified?

1. According to Article #78 of the Budget Code;
2. Modification of the Law of Ukraine "On the State Budget" in the part of intergovernmental relations; and
3. If budget violations found.

15. What are the limits of making payments from the special fund of a local budget?

Within the funds allocated to this fund for a specified objective. (Article #13 of the Budget Code).

16. Do the obligation repayment costs depend on funds voted for in the decision on the local budget?

No, the costs are according to the terms and conditions of the loan, as well as normative and legal acts, irrespective of the funds voted for in the decision on the local budget.

17. What is the basis of granting subventions to implement investment projects from the local budgets?

An agreement between the grant issuer and recipient. (Article #107 of the Budget Code).

18. Who is authorized to suspend budget allocations?

The Ministry of Finance, State Treasury, State Control and Auditing Department, local financial authorities, heads of executive bodies of raion towns and villages, and key spending units within their authority. (Article #117 of the Budget Code).

19. What is the term for contesting the decision on charging with budget violation?

Within 10 days after the decision is adopted, unless otherwise stipulated by the law. (Article #125 of the Budget Code).

20. Who are the budget process participants?

The participants of the budget process are the bodies and officials who have budgetary authorities.

Moderator-led discussion: Problematic Issues in the Process of Execution of Local Budgets in 2002

Task #5 Presentation Methods Alternative Training Methods

Goal

Problems of the execution of local budgets in 2002.

Presentation methods:

1. The trainers hand out six cards to each team.
2. The trainers ask each team to list six of the most pressing problems of the execution of local budgets in 2002 under the new Budget Code (10 min.).
3. The trainers group the problems according to the moderating techniques.
4. Using sticky dots, each team member identifies the most acute problem which needs to be solved (each participant is given 3 sticky dots).
5. The trainers summarize and comment on the most pressing problems.
6. The materials are to be used during the next mini-lectures and practical tasks.

Alternative training methods:

“Brainstorming”

Brainstorming is usually held when it is necessary to generate as many ideas as possible within the shortest period of time.

Comments on brainstorming:

- 1). Generate ideas on the topic;
- 2). Any subject-related decision is considered;
- 3). Proposals are not discussed at length;
- 4). Proposals are not criticized; and
- 5). Ideas can be delivered orally or in writing.

“Discussion”

Asking questions, the trainers spur the participants to active sharing of experiences and information.

Handouts and equipment:

- Flipchart;
- Markers;
- Moderating cards (30 one color cards and 10 cards of different colors); and
- Sticky dots (90).

Some problematic issues related to the execution of local budgets

- Normative and legal framework;
- Fund of undistributed expenditures;
- Some issues remain unregulated:
 - Base specification (personal income tax);
 - Cash gaps (seasonality of receipts to village budgets);
 - Arrears from former periods; and
 - Financing of law enforcement bodies.
- Treasury servicing (procedures, responsibilities);
- Reporting; and
- Budget Classification (settlement of accounts).

Case Studies - Management of Balances of Budget Funds and War of Decisions

Task #6 Presentation Methods Alternative Training Methods

Goal

Development of mechanisms and acquisition of skills to solve problems arising during local budget execution (management of balances of budget funds, withdrawals).

Presentation methods:

1. Reading of the case studies “Management of Balances of Budget Funds” and “War of Decisions” (Annexes #1 and #2 to Task #6).
2. Teams #1 and 2 consider the case “Management of Balances of Budget Funds”.
3. Teams #3, 4 and 5 consider the case “War of Decisions”.
4. The teams get ready for their presentations (using transparencies).
5. The teams present their results.
 - **Teams #1 and 2.** Options for using the balances of the budget funds at the beginning of the budget period.
 - a. legal framework;
 - b. optimal solutions for spending the balance.
 - **Teams #3, 4 and 5.** The decision of the city rada contradicts the decision of the raion rada which decided to withdraw funds from the city budget for the raion budget to further distribute funds among the village budgets. Develop possible solutions.

Alternative training methods:

“Algorithm Labyrinth”

1. The situation is described in writing.
2. The participants are given a list of possible actions (situations for different teams are different).
3. The teams complete the tasks.
4. Goal: the participants develop different algorithms for solving the problem.

“Colloquium”

1. Reporting on the topic.
2. Discussion of report.
3. Depending on the situation, the teams complete the task.
4. Summary.

Handouts and equipment:

- Blank transparency “Action Sequence To Regulate the Situation” (3 pcs);
- Transparency on “Action Sequence To Regulate the Situation” (1 piece);
- Flipchart;
- Blank transparencies (5 pcs); and
- Markers (one per team).

Case study “Management of Balances of Budget Funds”

Legislative regulations

1. Clause 38, Article #2, of the Budget Code: “Budget financing – receipts and expenditures incurred due to the changes in the debt amount as well as change of balances of budget cash funds used to cover the difference between the revenues and expenditures”.
2. Article #65, Law of Ukraine “On Local Self-Government in Ukraine”: “The revenues additionally received during local budget execution and the excess of revenues over expenditures resulting from the increased receipts or savings are not subject to withdrawal unless otherwise stipulated by the law. Decisions on spending of such funds are taken by the respective rada.
3. Section 2, Article #66, of Budget Code: “Providing for the balancing of revenues and expenditures of local budgets the unobligated balances are not accounted. The procedure for spending those balances is stipulated by Article #65 of this Law”.

The apportionment of a local budget is approved with the account of the budget balances formed by the beginning of the budget year and kept for the end of the budget period. The modifications of budget balances cannot be planned in the apportionment, i.e. the balances are to be restored during the process of budget execution.

Effective and efficient local expenditure management provides for the creation of balances by the beginning of the budget year at the level of the average monthly payroll. To a certain extent, the balances will play the role of an insurance fund (rainy day reserve).

Pursuant to Article #78 of the Budget Code, a local budget shall be adjusted should the revenue side be exceeded by 15 percent.

This substantially promotes the formulation of local budgets aiming at the growth of local budget balances. In addition, non-accounting of balances during budget execution has some incentives as well as it strengthens its role as a tool of maintaining monthly balances in the process of expenditure management.

Optimal solutions for using balances by the beginning of the year:

1. Balancing;
2. If exceeded – the balances are to be used to repay arrears of the former year (if the budget of the former year is not executed). The balances are to be used according to the decision of a respective rada if the budget is generally executed.

Changes in the balances are reflected if the budget is not executed, i.e. if the budget allocation is available (technical deficit).

Questions

- Legal basis of regulation.
- Options of using the balances.

Case study “War of Decisions”

The actions of the city administration are inconsistent with a number of provisions of the effective law, namely:

- According to Clause 1, Article #101 of the Budget Code, the raion level radas can project funds in the appropriate budgets to be transferred from the raion level cities to the raion budget.
- According to Clause 1, Article #62 of the Law of Ukraine “On Local Self-Government in Ukraine”, “if revenues from the nation-wide taxes and levies assigned after a local budget exceed the minimal amount of this local budget, the State shall withdraw a part of the balances under the procedure prescribed by the State Budget Law”.
- According to Article #36 of the Law of Ukraine “On the State Budget 2002”, the State Treasury transfers funds to the raion budget (withdrawal) from the city budget at the expense of the revenues accounted for while calculating the intergovernmental transfers, according to the norms of daily deductions defined by the respective raion radas. Therein, the monthly amount of transfers of the said funds should not exceed one twelfth of the annual amount. As far as the raion rada has not set such norms, the State Treasury does not withdraw the funds.

The actions of the raion administration are not in line with the effective law, namely:

- According to Article #28, the local state administrations must publicize information on local budgets, including decisions on local budgets within ten days after they are adopted;
- According to Article #76 (Paragraph D, Clause 1), the peculiarities of inter-budgetary relations should be justified in the materials attached to the decision on the budget;
- Article #94 stipulates the basis for calculating the expenditures accounted for in calculation of the intergovernmental transfers, in particular:
 - The financial norm of budget sufficiency is used for the purposes of distribution of intergovernmental transfers;
 - The financial norm of budget sufficiency is found through dividing the general amount of financial resources aimed at implementation of the budget programs by the number of residents or customers of social services.

Therefore, this is a situation where changes to the raion and city budgets must be made.

Options for problem resolution

Raion budget

1. According to Article #122 of the Budget Code, the head of the raion state administration has the right to suspend the decision on the city budget, concurrently appealing to the court within one month after the decision is made should the decision of the raion rada on the budget as regards the state delegated authorities be violated. If the decision is suspended, only targeted expenditures are made (those specified in the decision on the local budget for the former budget period). In addition, the monthly expenditures cannot exceed one twelfth of the total of budget expenditures for the former period.
2. The raion rada approves the norm of daily deductions from the revenues of the city budget, according to Article #36 of the Budget Code for 2002 as regards the transfer

of funds from the city budget to the raion budget (withdrawal), to be executed by the State Treasury at the expense of revenues accounted for in calculations of intergovernmental transfers. Therein, the monthly amount of transfer of the said funds should not exceed one twelfth of the annual amount.

3. The entire amount of the equalization grants are not transferred to village budgets.
4. The allocations for spending units are limited.
5. Local budget apportionment is modified in the part for monthly distribution of expenditures.
6. Loan resources and balances are involved.

City budget

1. According to Article #122 of the Budget Code, since the effective law on budget formulation was infringed, the city mayor approaches the head of the oblast administration to suspend the budget decision of the raion rada, The main finance department is authorized to verify how justified these requirements are.
2. The city budget apportionment is modified in the part for the monthly distribution of expenditures.
3. The key spending units' allocations get limited (based on the spending targets of the city budget resource allocations which help identify those units which will best sustain the cuts.).
4. Loans and balances for the start of the year are involved.

Goal

- Application of Article #122 of the Budget Code as a tool to resolve the disagreements and conflicting issues; and
- Building transparent relationships aimed at the fair and unbiased distribution of intergovernmental transfers.

Sequence of Actions of the Raion Finance Department and the City Executive Committee (of Raion Significance) during Budget Execution (referring to the relevant Article of the Budget Code)

Actions to settle the situation	Budget process participants
Addressing the head of the oblast state administration to suspend the decision on the raion budget (should the requirements for budget formulation be violated).	City executive Committee (Article #122)
Drawing propositions to suspend the city budget decision	Raion State Administration (Article #122)
Modifying the budget decision	Raion and city radas
Modifying the budget apportionment and allocation plan	City Executive Committee
Loans from finance and credit establishments	City Executive Committee
Making expenditures under the sustained decision on the local budget	Raion State Administration/ City Executive Committee
Modifying the budget appropriations	City Executive Committee

Interaction and Responsibilities of the Budget Process Participants

Task #7 Presentation Methods Alternative Training Methods

Goal

Understanding the rights, duties, responsibilities and relationships of the participants of the budget process during budget execution.

1. The trainer assigns each team to present the rights, duties and responsibilities of one participant of the budget process (e.g., financial authorities, tax service, State Treasury, Key Spending Unit, Audit and Control Service) in the stage of execution of local budgets. Prepare questions for other budget process participants (20 min.).
2. During the colloquium, each team makes a presentation on the rights, duties and responsibilities of the participants of the budget process and answers other teams' questions (20 min.).

Presentation methods:

1. Each team works out the main directions of interacting and the main responsibilities of one of the participants of the budget process during budget execution. The trainer assigns the roles to the teams which will be the Financial Department, Tax Administration, State Treasury, Key Spending Unit, and Control And Auditing Department. The trainer then asks questions of each team. For example, the team playing the Control and Auditing Department could answer such a question as: *From your perspective, what are your relationships with the Financial Department, Tax Administration, and Key Spending Unit during execution of the local budget?*
2. The trainer asks each team to draw 1-2 questions for other participants of the budget process in terms of their relationships and responsibilities.
3. The Teams' representatives speak about the interaction and responsibilities of an identified participant of the budget process.
4. The team that makes a presentation will answer the other teams' questions.
5. During the joint discussion, the trainer helps the trainees conclude that:
 - a) Interaction during budget execution is essential (*for example, the financial department needs to get information to provide for successful budget execution from:*
 - *the State Treasury: on receipts and distribution, spending units' balances, undertaken and funded obligations;*
 - *the Tax Administration: on arrears status, overpayments, calculated payments in terms of taxes, proposals on changes of tax rates established by local radas, lists of taxpayers;*
 - *the Control and Auditing Department: on inspections held, violations found and proposals on their elimination;*
 - *the Key Spending Unit: program/task implementation analysis, status of accounts payable and receivable, measures for increasing the efficiency of energy resources and proposals on improvement of financing mechanisms).*
 - b) Revision and analytical activities are planned/coordinated (*for example, organization of a commission for liquidation of arrears, payroll debt repayment and repayment of accounts payable from the previous year).*

- c) These aspects should be taken into consideration while approving the “Regulation on the Financial Department” and undertaking measures to execute the budget.

Alternative training methods:

“Discussion”

1. The teams receive a booklet of “The Rights, Tasks and Responsibilities of the Budget Process Participants in terms of Execution of a Local Budget”.
2. The trainer puts forward questions for discussion based on the booklet.
3. During the joint discussion the trainer helps the trainees reach appropriate conclusions.

“Mini-Test”

1. The trainer reads a question to a pre-identified team.
2. The team’s representative answers the question.
3. If the answer is wrong, the right to answer is given to another team.
4. After the mini-test the trainer summarizes and identifies the winner.

Handouts and equipment:

- Booklet “The Rights, Tasks and Responsibilities of the Budget Process Participants in terms of Execution of a Local Budget”;
- Transparencies;
- Overhead projector;
- Flipchart; and
- Markers.

Quick Answer Session - Budget Apportionment

Task #8 Presentation Methods Alternative Training Methods

Goals:

1. Stimulate work of the participants.
2. Get prepared for discussion on the Topic: “Specifics of Formulation and Execution of Local Budget Apportionment”.
3. Select the winning team with the best knowledge of the Budget Code provisions on formulation and execution of local budget apportionment.

Presentation methods:

1. The trainer explains the rules.
2. Each team selects a team leader who identifies a trainee to answer the question.
3. The trainer reads a question to a team and shows a transparency. Thirty seconds is given for reflection. Every correct answer is awarded three points.
4. If the answer is wrong, the right to answer is given to another team (clockwise). The trainer awards a prize to the winner of this Quick Answer Session.
5. The trainer identifies the winning team based on results of the previous tests. The winner receives the banner temporarily.

Alternative training methods:

“Brain Ring”

“Written Test”

Handouts and equipment:

- Test “Budget Apportionment” with answers;
- Table “Team’s Results”;
- Markers; and
- Prizes, banner.

Questions to the Quick Answer Session – Budget Apportionment

1. What is budget apportionment?

A document establishing distribution of revenues, budget financing and budget allocations to key spending units for certain periods of the year according to the budget classification.

2. When and for what period is the temporary apportionment approved?

A temporary apportionment is approved for a respective period of time, before the manager of the local financial authority endorses the apportionment.

3. Insert the missing words.

During the budget period the manager of a local financial authority ensures the *consistency of the local budget apportionment* with the established budget appropriations.

4. What is the Instruction on Formulation and Execution of Budget Apportionment for?

The Instruction stipulates the procedures of formulation and execution of local budget apportionment.

5. What does the apportionment of a local budget include?

- a. apportionment of revenues;
- b. apportionment of financing; and
- c. apportionment of allocations.

6. The local budget apportionment is drawn according to what?

The apportionment is drawn according to the budget appropriations established by the local rada decision.

7. Does the financing apportionment account for the need to cover cash gaps of the local budget general fund?

Yes, it does.

8. What is calculated on the basis of apportionments of revenues and financing?

Ceiling monthly allocations of the general fund.

9. Will the decision on the devolution of authority to perform a function or render a service necessitate modifying the apportionment?

Yes, it will.

10. What document authorizes the amendment of the general fund apportionment?

The apportionment is modified against a note on changing the operating budget and allocation plans according to the procedure established for the approval of these documents.

11. Finish the sentence: Expenditures of the special fund of the budget have permanent budget appropriation which authorizes their making only within and at the expense of appropriate receipts to the special fund”.

12. True or false?

During the year the spending units amend the special fund of the operating budget according to their receipts, making appropriate changes in the apportionment of the special fund.

False. The special fund of the operating budget is modified without changing the apportionment.

13. True or false?

Apportionment is executed on an accrual basis from the beginning of the year.

True.

14. Who decides and what are the circumstances of temporary limitation of allocations to the local budget general fund?

The decision to limit allocations to the general fund is the authority of the manager of the particular financial body. This decision can stem from the monthly report on execution of the general fund in which the received receipts are insufficient to make budget allocations according to the budget appropriations.

15. What should the note on changing the apportionment be accompanied with?

The rationales for the appropriateness of the modifications and information on the allocated funds according to the records.

Practical Task - Balancing the Monthly Apportionment of Local Budgets

Task #9 Presentation Methods Alternative Training Methods

Goal:

Consideration of possible methods for balancing revenues of the general fund.

Presentation methods:

1. Task all the trainees to analyze the monthly apportionment of revenues of the local budget general fund on the basis of approved terms of crediting payments and the dynamics of receipts.
2. The teams work out their own variants of the most optimal monthly apportionment of allocations of the local budget general fund.
3. The teams discuss the following:
 - 1) *What are the terms of payment of the above taxes and other contributions to the local budget?*
 - 2) *How do monthly budget receipts change with the introduction of individual revenue sources, the dynamics of receipts over the former years and other factor?.*
 - 3) *What kinds of expenditures in the operating budget can key spending units defer to other periods or downsize?*
 - 4) *What negative effect is possible if the local budget apportionment is approved unbalanced per the revenues and expenditures?*
 - 5) *What resources are possible to engage, apart from the receipts in the situation considered, to balance local revenues and expenditures for the 1st quarter?*
4. When the teams are ready:
Teams #1-2 present the revenue analysis.
Teams #3-4 present the expenditure analysis.
Team #5 presents the balancing of apportionment.
5. After the teams make their presentations, the trainer summarizes.

Alternative training method: Expert evaluation

1. Work in teams;
2. The teams exchange their solutions for analysis.
3. The expert team presents the solutions of the first team.

Handouts and equipment:

- transparencies with answers;
- flipchart; and
- markers.

Options to solve the problem:

1. The following articles of the Budget Code of Ukraine govern the formulation of local budget apportionment:
 - Clause 12, Article #2 defines budget apportionment as a document establishing the distribution of revenues, budget financing and budget allocations to key spending units for certain periods of the year according to the budget classification;
 - Article #7 sets out the principles on which the budget system is based;
 - Clause 3, Article #78 covers the endorsement of apportionment by the manager of a local financial authority and the responsibility of the latter to ensure the consistency of the apportionment with the approved budget appropriations.

The Order of the Ministry of Finance of Ukraine #57, dated January 28, 2002, “On Approval of Documents Used in Budget Execution” approved the Instruction on the formulation and execution of apportionment of the State Budget of Ukraine. According to the Instruction, the local financial bodies are to design a procedure by which local budget apportionments are formulated and executed. (The draft Instruction is in the Manual.)

The monthly cash gaps in the general fund clearly indicate the inefficiency and ineffectiveness of the management, as short-term borrowing is required. The borrowing of resources implies payment of interest; thus in formulating the apportionment, the expenditures should be prioritized. Formulating an apportionment under the conditions of a monthly imbalance of a local budget should be economically justifiable. The decision-making authority rests with the manager of the particular local authority.

2. Terms of making basic payments to the budget:

The personal income tax – Decree of the Cabinet of Ministers #13-92, dated December 26, 1992 (amended), Article #10: [after the end of each month not later the date the banks receive funds to make due payments to the citizens]; the personal income tax is payable by equal installments before May 15, August 15, and November 15 - for those who do not have bank accounts and those who are not Ukrainian citizens (Article #18).

The state excise tax – the Instruction to Decree of the Cabinet of Ministers of Ukraine #7-93 dated March 21, 1993, “On State Excise”.

The flat-rate tax – President’s Decree on “Simplified Taxation, Accounting and Reporting for Subjects of Small Entrepreneurship”, Article #3: on a monthly basis, no later than the 20th of the month following the reporting month.

3. The following should be taken into account while drawing the allocation plan: the monthly expenditure planning has to account for the specifics of the budget institutions concerned, such as the vacation periods, payments of debt liabilities, etc.
4. Monthly balancing of local budget apportionment has its advantages:
 - The need to make non-priority expenditures which can be financed at later periods is excluded;

- The balances for the beginning of the year can be the source of making expenditures if the budget revenues are not executed to the fullest;
 - Short-term borrowing from financial institutions is expensive because budget funds for its servicing are required. Furthermore, if the planned amounts of revenues are not received, returning the funds borrowed can be problematic.
5. The balance of the local budget apportionment can be provided for by a maximum of identifiable revenues and balances of funds for the beginning of the year, as well as from funds from financial institutions.
 6. To balance the local budget apportionment per the revenues and expenditures for the 1st quarter, the following needs to be done:
increase revenues by:
 - a) 700 UAH (according to the specific weight of revenues in the preceding and the planned years (20%);
 - b) 355 UAH (taking into account the positive dynamics of incoming revenues). If the revenue shortfall occurs, the balances for the beginning of the year can be used.downsize the proposals from the key spending units in terms of expenditures by 460 UAH, including proposals for the functions of:
 - a) education by 150 UAH (120 UAH – other expenditures (Code 5000), 30 UAH – payment for public utilities and energy carriers for March (Code 1160);
 - b) 200 (200 – other expenditures (Code 5000), taking into account the fact that they do not belong to the entitlements).

Thus, increasing the revenues by 1055 UAH and cutting the expenditures by 460 UAH, result in revenues and expenditures for the 1st quarter at the level of 7,355 UAH.

Team Exercise - Analysis of Operating Budget

Task #10 Presentation Methods Alternative Training Methods

Goal:

Development of the mechanism for modifying the operating budget and approving an optimal apportionment.

Presentation methods:

1. Two teams develop arguments for the proposals of the financial department presented in the table; the other two – the proposals of the key spending unit as to the apportionment (15 min.).
2. The fifth team (experts) develops their own variant of the apportionment (15 min.).
3. During the joint discussion, teams #1-3 and teams #2-4 meet to reach a consensus (10 min.).
4. Teams #1 and 2 (acting as the financial authority) present their solutions (10 min.).
5. Teams #3 and 4 (acting as the key spending unit) present their positions.
6. Team #5 evaluates the presentations of the teams and suggests its own variant.

Alternative training methods: *Colloquium*

1. Report on the topic;
2. Discussion of the report;
3. Q-A session; and
4. Conclusions.

Handouts and equipment:

- Filled out transparency, annex to Task #10;
- Flip chart;
- Transparencies with table “Annex to Task #10” (5 pcs.);
- Markers; and
- Overhead projector.

**Development of the Budget Request and Its Inclusion in the Draft Budget and
Apportionment for 2002 According to Code #080204 "Tuberculosis
Sanatoriums"**

Annex to Task #10

Thousands, UAH

Code	Expenditures According to the Economic Classification	Draft developed according to the projected amounts established by the local financial authority			Additional demand of the key spending unit	Demand of the key spending unit coordinated with the financial authority for inclusion in the draft decision on the local budget			Draft apportionment developed by the key spending unit			Included in the apportionment by the financial authority		
		General fund	Special fund	Total		General fund	Special fund	Total	General fund	Special fund	Total	General fund	Special fund	Total
1000	Current expenditures	1,272.1		1,272.1	181.0	1,325.6		1,325.6	1,325.6		1,325.6	1,325.6		1,325.6
1100	Expenditures for goods and services	1,247.8		1,247.8	181.0	1,301.3		1,301.3	1,298.3		1,298.3	1,301.3		1,301.3
1110	Wages	520.0		520.0		500.5		500.5	560.5		560.5	500.5		500.5
1120	Payments on wages	193.4		193.4		186.4		186.4	186.4		186.4	186.4		186.4
1130	Purchase of supplies and materials, payment for services and other expenditures	165.7		165.7	139.0	250.7		250.7	246.4		246.4	250.7		250.7
1131	Goods, materials, equipment and inventories	13.2		13.2	20.0	13.2		13.2	13.2		13.2	13.2		13.2
1132	Medicines	41.0		41.0	20.0	61.0		61.0	52.0		52.0	61.0		61.0
1133	Foodstuffs	50.0		50.0	41.0	91.0		91.0	85.6		85.6	91.0		91.0
1134	Clothes and uniforms	5.0		5.0	5.0	6.7		6.7	10.0		10.0	6.7		6.7
1135	Transportation services	40.0		40.0	30.0	55.6		55.6	55.6		55.6	55.6		55.6
1137	Current repairs and technical maintenance	5.0		5.0	10.0	5.0		5.0	5.0		5.0	5.0		5.0
1138	Communications	4.0		4.0	3.0	5.2		5.2	8.0		8.0	5.2		5.2
1139	Other services and other expenditures	7.5		7.5	10.0	13.0		13.0	17.0		17.0	13.0		13.0
1140	Travel and subsistence-related expenditures	3.7		3.7	2.0	3.7		3.7	5.0		5.0	3.7		3.7

1160	Utility services and energy	365.0		365.0	40.0	360.0		360.0	300.0		300.0	360.0		360.0
1161	Heating			0.0				0.0			0.0	0.0		0.0
1162	Water supply			0.0				0.0			0.0	0.0		0.0
1163	Electricity	150.0		150.0		130.0		130.0	100.0		100.0	130.0		130.0
1165	Other utility services			0.0				0.0			0.0	0.0		0.0
1166	Other energy resources	215.0		215.0	40.0	230.0		230.0	200.0		200.0	230.0		230.0
1300	Subsidies and current transfers	24.3		24.3		24.3		24.3	27.3		27.3	24.3		24.3
1340	Current transfers to the population	24.3		24.3		24.3		24.3	27.3		27.3	24.3		24.3
1341	Pensions and assistance	12		12.0		12.0		12.0	15.0		15.0	12.0		12.0
1343	Other current transfers to the population	12.3		12.3		12.3		12.3	12.3		12.3	12.3		12.3
2000	Capital expenditures	120.0		120.0	120.0	135.0		135.0	135.0		135.0	135.0		135.0
2100	Acquisition of capital assets	120.0		120.0	20.0	15.0		15.0	135.0		135.0	15.0		15.0
2110	Purchase of equipment and goods for long-term use	15.0		15.0	20.0	15.0		15.0	55.0		55.0	15.0		15.0
2130	Capital repairs, reconstruction and restoration	105.0		105.0	100.0	120.0		120.0	80.0		80.0	120.0		120.0
2133	Capital repairs, reconstruction of other facilities	105.0		105.0	100.0	120.0		120.0	80.0		80.0	120.0		120.0
Total		1,392.1		1,392.1	301.0	1,460.6		1,460.6	1,460.6		1,460.6	1,460.6		1,460.6

Solution algorithm:

As the purchase of equipment (X-ray apparatus) is important, the said changes should be accounted for.

The cuts of allocations for energy carriers and an increase in salaries are not acceptable.

The change in the expenditure structure, in particular the reduction of entitlements (Codes 1132, 1133) and the increase in other items, is not justified either.

Food and medicines can be the arguments for the increase.

Case Study - Personal Income Tax

Task #11 Presentation Methods Alternative Training Methods

Goal:

Resolution of issues regarding the regulation of revenues from personal income tax.

Presentation methods:

1. The trainees read the Case Study “Personal Income Tax” (See Annex #1 to Task #11) (10 min.).
2. The trainer gives a summary of the Case Study.
3. In order to regulate the entering of personal income tax and other taxes, a series of actions have been taken by the officials. Analyze the actions of the officials to address these issues.
4. During the joint discussion, the trainer leads the trainees to the solution by guiding them with questions (the questions are given below) (30 min.).
5. The trainer summarizes the Case Study, comments on the roots of the issues, and analyzes possible solutions.

Alternative training methods:

“Algorithm-labyrinth”

1. The trainer describes a situation.
2. The trainees receive possible action plans (the situations differ from team to team).
3. The teams work out the solutions according to their situations.
4. Goal – the trainees understand possible algorithms of addressing the problem.

“Pair discussion”

1. The teams are given the task “Personal Income Tax”.
2. Each team works out its algorithm on a spreadsheet.
3. The teams are divided into subteams of two or three and are asked to share 150 (100) points amongst themselves according to the quality of their work.
4. Summary, finding the best algorithm (as per the average results).
5. Fill out the table with the points won.
6. General summary; the winning team gets a prize.

Handouts and equipment:

- Materials for the Case Study;
- Questions for discussion;
- Flipchart; and
- Markers.

1. Executive summary of the Case Study

As Article #65 of the Budget Code came into effect on January 1, 2002, the situation with revenues from the personal income tax to the budget of the town of Zoriane and the Zoriane Raion Budget became unclear.

According to Article #65 of the Budget Code, which establishes the norms for deductions from the personal income tax to the budgets of local self-governments, the State Treasury of Ukraine differentiates the revenues on this tax from enterprises located on the territory of the town of Zoriane in the ratio of 75% and 25%.

Given that also since January 1, 2002, the revenues of the local budgets are serviced by the Treasury, the payments between different levels of budgets are distributed automatically based on the program developed according to the Budget Code.

The change in the mechanism of entering the revenues at the location of the taxpayers (as opposed to the place of registration) requires additional regulation.

2. Problems to solve

The problems of cognominal towns and raions:

- The clear demarcation of towns and raions is not in place;
- The issues of transitioning to the new system and accounting for taxpayers are not regulated;
- The base for receipts over the past years between the town and raion is not regulated.

As Article #65 of the Budget Code came into effect on January 1, 2002, the situation with the revenues from the personal income taxes of town and raion citizens became unclear, resulting in a conflict between the town of Zoriane and the Zoriane Raion.

In order to regulate the entering of personal income tax and other taxes, a series of actions have been taken by the officials.

Give an assessment of the officials' performance efficiency and effectiveness.

3. Questions to discuss

1. The main causes of the problem.
2. The Head of the town Financial Department, Mr. Petro Dmytrenko, sent a letter (jointly with the State Tax Administration) to all the enterprises located in the town requesting payment of the income tax. You are the head of the town Financial Department. Do you support Mr. Petro Dmytrenko? What are your actions?
3. Give an assessment of the actions of the tax authorities: the head of the town Tax Inspectorate, Mr. Mykola Oliynyk, and the raion Tax Inspectorate.
4. How justifiable are the accusations of the town Tax Inspectorate against the Town Mayor as to his inappropriate performance?
5. In early February, the Treasury Department, based on the letter from the Main Financial Department, withdrew UAH 100,000 for the raion budget from the detailed account of the general fund revenues of the town budget. How legitimate were the actions of the State Treasury?
6. What is your opinion about the Zoriane Raion State Administration writing a letter to the Prosecutor's Office regarding the payment of the personal income taxes by the enterprises located in the raion territory to the village budgets?
7. What is the role of the Main Financial Department of the Oblast State Administration in resolving the problem? How effective or ineffective were they?
8. List possible solutions to solve the problem (use the flipchart).

4. Trainer's summary

- Comments on the causes of the situation;
- Analysis of possible solutions;

- Accent on:
 - a) omission of financial bodies during the budget approval;
 - b) coordination of efforts of all budget participants.

5. Possible solutions

1. To regulate the issue of entering the personal income tax and other taxes, the head of the Oblast State Administration called a meeting attended by the town mayors and heads of the raion state administrations, representatives of the Oblast Tax Administration and Main Financial Department, heads of the tax inspectorates of towns and raions, financial authorities and the oblast administration of the State Treasury. During the meeting it was suggested that the towns and raions agree to enter separate taxes in the budgets on the basis of amounts accounted for while calculating the inter-budgetary transfers for 2002. Within two months the revenues of the local budgets for 1999-2001 would be demarcated according to the Budget Code.
2. The Town Executive Committee and the Raion State Administration agreed to do so.
3. The equalization grant is modified through amending the Law of Ukraine "On the State Budget for 2002".
4. A Commission is established to bring the bases in consistency with the Budget Code.
5. For the purpose of finding the taxpaying capacity index, a protocol of coordination of indicators is done.

Mini-Analysis: Budget Code as My Personal Priority

Goal:

Stimulate work of the participants.

Presentation methods:

1. The trainer gives the background information on the delivery.
2. The trainer writes “The List of Priorities” on the flipchart:
 - 1) Interesting work;
 - 2) Traveling and adventures;
 - 3) Friendly relations in the team;
 - 4) Personal growth;
 - 5) Implementation of the Budget Code provisions;
 - 6) Good relationships with the management;
 - 7) Higher salary;
 - 8) Cooperation with the Ministry of Finance (Main Financial Department);
 - 9) Occupational achievements; and
 - 10) Career.
3. Each trainee gets three sticky dots and is asked to come up to the flip chart and stick a dot by his/her three most important priorities.
4. Each trainee does so (three dots by one priority are possible).
5. The trainer identifies the top priorities for this group (according to their number of dots).
6. The trainer summarizes and calls attention to the importance of points #5 (Implementation of the Budget Code provisions) and #8 (Cooperation with the Main Financial Department) for the trainees.

Handouts and equipment:

- Flip chart;
- “The List of Priorities”/ board;
- Sticky dots; and
- Markers.

Mini-Case Study - Road Program

Task #12 Presentation Methods Alternative Training Methods

Goals:

1. Development of skills of performance analysis in budget execution.
2. On the basis of the “Road Program”, give an example of approaches to evaluation of any program.
3. The participants apply the methods of program analysis and performance measures using the case of the joint program on the road sector (repairs and maintenance of roads).
4. The overall objective is to learn to apply program analysis methods to evaluate a common sectoral program affecting local self-governance.

Presentation methods:

1. The trainees read the Mini-Case Study “Road Program” - Annex #1 to Task #12.
2. The trainer gives a summary of the Mini-Case Study.
3. During the joint discussion, by means of questions (given below), the trainer leads the trainees to conclude how important the performance analysis of budget execution is.
4. The trainer makes a summary of the Mini-Case Study and comments on the answers the trainees give during the discussion.
5. The trainer concentrates on the importance of program analysis and performance analysis in budget execution.

Alternative training methods:

“Algorithm-labyrinth”

1. The trainer describes a situation.
2. The trainees receive possible action plans (the situations differ from team to team).
3. The teams work out the solutions according to their situations.
4. Goal – the trainees understand possible algorithms of addressing the problem.

“Role -play”. Training through action.

1. Write a pilot situation for resolution.
2. Distribute roles among the training participants.
3. During the role playing, the trainee makes decisions.
4. After the decision is made, the role play delivery is discussed.
5. The trainer summarizes.

Handouts and equipment:

- Case study materials;
- Questions for discussion;
- Flip chart; and
- Markers.

General description of the situation

Mr. Alexander Lisnichenko, Head of the Financial Department, has just come back from a session presided over by the Head of the Raion State Administration. The Head of the Raion State Administration pointed out that the road program is extremely important for the Raion's economic development.

In addition, the Head of the Raion State Administration was not satisfied with recent reports on the bad quality of the roads and the way the road program was implemented. The mass media had also focused on: the poor situation with the Raion's road network; the lack of funds for road maintenance; the inability of the road system to maintain the proper level of transportation for passengers and cargo trucks; the unsystematic capital repairs and untimely maintenance; the low quality of work; the inefficient use of budget funds, and the lack of attention to proper program implementation. These problems were highlighted by the increasing gap between the budget allocations and the necessary expenditures. In addition, only half of all the roads were paved; therefore, the road network required substantial extension and reconstruction as well.

Issues for discussion and possible answers

1. *Could the Financial Department factually assess the efficiency of expenditures made under the road program to meet the five-year plan? What data were missing? Name the obvious problems with the assessment.*

The missing data to make an assessment are:

- a) road certificate (length/network, technical condition, importance);
 - b) studies of raion economic conditions, studies of traffic volumes;
 - c) scope of work and resources needed;
 - d) prime cost of pavement (new construction) of 1m², prime cost of maintenance of 1 km; and
 - e) indicators showing how the road conditions affect the economic development capacity (i.e. the results of improving the roads are measurable).
2. *This case is a good example of the department being guided by three criteria in determining the level of road maintenance. Is the efficiency of the Road Program, generally speaking, guaranteed if the projects follow these criteria?*
 1. The importance of a given road to the development of the raion's economy;
 2. The technical condition; and
 3. The level of necessary investments.
 3. *Was the head of the Financial Department right in being skeptical about the economic benefit of the "Road" computer program? Was it an advantage or disadvantage during the program evaluation?*

The computer program required:

1. the road survey (technical suitability);
 2. the studies of traffic volumes;
 3. the cost/benefit analysis; and
 4. the economic studies.
4. *What specifics of the budget process impeded the planning and execution of the Road Program? How could the process be improved?*

The economic rationale and the control system were not in place for the road programs. In addition, the zone priorities were not set, and the structure of expenditures for the key spending unit was not justified.

The process can be improved by systemizing the road financial indicators, scrutinizing the possible involvement of funds on a contractual basis, and implementing joint projects.

5. *Review the four conclusions of the financial department with respect to the Road Program. Do you support them? Why did the inspectors arrive at the conclusion that the Road Program was defective in terms of the needs for maintaining and building new roads?*

1. The planning and implementation of the Road Program got worse;
2. A clear-cut division of the current and capital expenditures were not in place (e.g., for repairs of potholes and construction);
3. The projects had no economic rationales; and
4. The quality standards were outdated.

6. *Give an assessment of the evaluation approaches of the head of Financial Department and his deputy. How can they be improved? What is the way for institutionalizing this approach? What incentives should be in place?*

7. *What evidence could the Financial Department use to support its conclusion that the Road Program and the Road Project System were serving contradicting objectives?*

Program budgeting is a budget system with a clear quantification of program objectives, a measurement of results and analyses of ways to meet the set objectives for the least cost.

Its guiding principles are:

1. All the expenditures should be identified with the respective complex programs;
2. Any complex program is based on an operating budget;
3. The operating budget of expenditures should be based on the expenditure items (e.g., payroll, equipment);
4. Control can be exercised both in terms of programs and objectives; and
5. Programs should be evaluated on the basis of their cost/benefit analysis.

8. *Therefore, in your opinion, how appropriate were the program objectives and indicators the inspectors singled out?*

Role Play - Public Procurement

Task #13 Presentation Methods Alternative Training Methods

Goal:

Development of skills in the organization and administration of the public procurement of goods, works and services.

Presentation methods:

A day before, the trainer asks the participants to read the role play materials (see the Manual).

The role play has three stages:

- 1st stage. Preparation for the Tender Committee meeting;
- 2nd stage. Tender Committee meeting; and
- 3rd stage. Role play summary.

1st stage. Preparation for the Tender Committee meeting (25 min.)

1. The trainer asks the teams to identify and give the rationale for the following preparatory items for the Tender Committee meeting:

- Procurement procedures;
- List of criteria for the qualification requirements;
- List of criteria for evaluation of bids for insulin procurement (put in Table #1); and
- Analysis of the bids.

2. The trainer gives out the roles of:

- Tender Committee members;
- Invitees.

Draw is suggested. The trainer appoints the head of the Tender Committee (preferably someone who has had previous experience as a member of a Tender Committee).

- The head of the Tender Committee decides on the procedure of the meeting.
- The Tender Committee members and invitees get ready for the meeting (the roles are given on sheets of paper).

Tender Committee membership:

Head – Head of Economic Department;

Deputy Head – Head of Budget Commission; and

Secretary – Chief Sanitarian Doctor.

Members:

Head of Main Financial Department;

Head of Legal Department;

Head of Oblast Health Department; and

Oblast Chief Endocrinologist.

Invitees (advisory role):

Head of Tax Administration; and

Head of Antimonopoly Committee.

Invitees:

Company representatives; and

Mass media, NGOs

2nd stage. Tender Committee meeting (20 min.)

1. The Tender Committee members and invitees sit at one desk (in the center of the room). The mass media and company representatives sit at their desks. The head of the Tender Committee occasionally addresses them during the meeting.
2. Each participant gets a plate before him/her on which their name and title are given (plates are prepared in advance).
3. After the welcome, the head of the Tender Committee speaks.

Tender Committee Deliberation

1. The head of the Tender Committee:
 - opens the meeting;
 - opens seven envelopes with the bids inside and reads them out loud;
 - obtains agreement on the evaluation criteria;
 - hands out questionnaires (table 1) to the Committee members, asks for them to be filled out and prioritizes the criteria from 1 to 7;
 - asks every Committee member to discuss his/her choice.
2. Every Tender Committee member gives his/her reasons for their choices.
3. The head of the Tender Committee gives the floor to the expert (chief endocrinologist).
4. The head of the Tender Committee gives the floor to the invitees according to the procedures of the meeting.
5. The representative of the Tax Administration speaks.
6. The chief endocrinologist speaks.
7. The mass media representatives speak.
8. The Tender Committee members make their final decisions.
9. The head of the Tender Committee asks the members to vote and announces the decision.

Criteria	Pharama-Tak	Medic-Com	MedPreparat	Pharmaceut	Medic	Zdorovia	FitoTrade
Total score							

Description of actions of the role play participants

(The trainer may make necessary adjustments during the tender committee meeting at will):

Head of the Tender Committee – Head of Economic Department:

- Opens the tender committee meeting. Asks for the nomination of a secretary. Reminds that all the Tender Committee members vote, while the invitees (representatives from the STA, Antimonopoly Committee and NGO's) have an advisory vote.
- Notes that according to the rules, representatives of the mass media and of the bidders have the right to be present during the opening of envelopes and announcing of the winners, provided they have special invitations (our case), otherwise they can attend the Tender Committee meeting freely.

- Notes that seven firms are on the shortlist according to the preliminary qualification requirements.
- Opens seven envelopes (to facilitate the procedure, our bids are in one envelope and on one sheet).
- Announces all bids.
- Calls attention of the Tender Committee members to the questionnaires (Table #1) and asks for them to be filled out, having ranged them from 1 to 7.
- Asks each Tender Committee member to speak arguing in favor of his/her choice.
- Each Tender Committee member speaks and argues in favor of his/her choice.
- Gives floor to the expert (chief endocrinologist).
- Gives floor to all interested parties who wish to speak about the meeting's procedures.
- Holds voting.
- Announces decision of the Tender Committee.

Questionnaire

Table #2

Criteria	Pharma-Tak	Medic-Com	MedPreparat	Pharmaceut	Medic	Zdorovia	FitoTrade
Price							
Quality							
Terms of delivery							
Medicine expiration date							
Category (short-term, mid-term or long-term duration effect)							
Total score							

Chief oblast endocrinologist

- Participates in the Tender Committee. As the other members, fills out the questionnaire and shares his/her ideas when asked by the head of the Tender Committee;
- May speak on his/her own, not necessarily according to his/her role;
- Speaks as an expert when asked by the head of the Tender Committee to give details on the high quality of import medicine and (unfortunately) low quality of the national insulin; and
- Besides, during the discussion s/he notes that the last time MedPreparat company violated the contract by substituting one brand with another of poorer quality.

Oblast chief sanitarian doctor

His son-in-law is the director of Medic-Com company; thus, he is highly interested in this company winning the tender. He convinces other Tender Committee members (who are unaware of this fact) to vote for this particular company.

- Participates in the Tender Committee. As the other members, fills out the questionnaire and shares his ideas when asked by the head of the Tender Committee;
- May speak on his own, not necessarily according to his role.

Head of Oblast Health Department

- Participates in the Tender Committee. As the other members, fills out the questionnaire and shares his/her ideas when asked by the head of the Tender Committee;
- May speak on his/her own, not necessarily according to his/her role.

Head of Legal Department of Oblast Administration

- Participates in the Tender Committee. As the other members, fills out the questionnaire and shares his/her ideas when asked by the head of the Tender Committee;
- May speak on his/her own, not necessarily according to his/her role.

Head of Main Financial Department

- Participates in the Tender Committee. As the other members, fills out the questionnaire and shares his/her ideas when asked by the head of the Tender Committee;
- May speak on his/her own, not necessarily according to his/her role.

Head of Budget Commission

- Participates in the Tender Committee. As the other members, fills out the questionnaire and shares his/her ideas when asked by the head of the Tender Committee;
- May speak on his/her own, not necessarily according to his/her role.

Head of Antimonopoly Committee**NGO representatives**

- Merely observe the tender procedure.
- May ask to speak at the end of the meeting (when the head offers the floor to any interested parties before the voting).
- May speak in favor of imported insulin (unfortunately, the local insulin has a number of side effects, is of poor quality, and the risk to human health is a concern).

Bids**1. “Pharma-Tak” (Kharkiv)**

Has operated in the Ukrainian market since 1990, produces medicines, average price per pack – UAH 30.

With the purchase of 30,000 packs, one pack costs 22 UAH.

Free door-to-door delivery

Category – short-term insulin

Expiration – November 2003

(category – short-term, short expiration date, national medication)

2. “Medic-Com” (Kyiv)

Has operated in the Ukrainian market since 1993, wholesale and retail trader of medicines, average price per pack – UAH 28.

With the purchase of 20,000 packs, one pack costs 24,5 UAH.

Certificate from producer

Free door-to-door delivery

Category – short term insulin

Expiration – January 2005

(The contract amounts to 698,250 UAH; however, bid #4 is preferred in view of the short-term category and conflict of interest with the oblast chief doctor).

3. “Medpreparat” (Lviv)

Has operated in the Ukrainian market since 1998, produces medicines, average price per pack – UAH 26.

With the purchase of 10,000 packs, one pack costs 22 UAH.

Certificate from producer

Category – mid-term

Delivery under condition of purchase of min. 10,000 packs.
Expiration – January 2005
(*violated last contract*).

4. “Pharmaceut” (Dnipropetrovsk)

Has operated in the Ukrainian market since 1995, distributor of “Bayer”, average price per pack – UAH 28.
With the purchase of 5,000 packs, one pack costs 26 UAH.
With the purchase of 20,000 packs, one pack costs 23 UAH.
Certificate from producer
Free door-to-door delivery (max. 5 destinations)
Category – long-term
Expiration – December 2005
(*not appropriate as went bankrupt*)

5. “Medic” (Kyiv)

Has operated in the Ukrainian market since 1999, large wholesale company, average price per pack – UAH 29.
With the purchase of 5,000 packs, one pack costs 28 UAH.
With the purchase of 15,000 packs, one pack costs 27 UAH.
With the purchase of 25,000 packs, one pack costs 24.5 UAH.
Certificate from producer
Free door-to-door delivery (one destination)
Category – mid-term
Expiration – December 2005
(*The contract amounts to 698,250 UAH; however, Phitotrade’s offer is better as they supply long-term insulin, while Medic supplies mid-term insulin*).

6. “Zdorovia” (Donetsk)

Has operated in the Ukrainian market since 2000, wholesale company, average price per pack – UAH 30.
With the purchase of 5,000 packs, one pack costs 27 UAH.
With the purchase of 15,000 packs, one pack costs 26 UAH.
With the purchase of 25,000 packs, one pack costs 25 UAH.
Certificate from producer
Free delivery in refrigerated trailers
Category – long-term
Expiration – December 2005
(*There is a cheaper and imported option*).

7. “FitoTrade” (Simferopol)

Has operated in the Ukrainian market since 2001, wholesale trader, average price per pack – UAH 27.
Certificate from a Slovenian producer
Free door-to-door delivery (min. 5,000 packs)
Category – long-term
Expiration – January 2005
With the purchase of 26,000 packs, 4,000 packs for free
(*Winning bid – 702,000 UAH; the best value for money (23.4 UAH); 30,000 packs of imported medication with a long-term effect*)

3rd stage. Role play summary (15 min.)

During the summary, analyze the procedure and actions of the Tender Committee members.

Alternative training methods: Case Study

1. Describe the case study.
2. Identify problems to be solved.
3. Prepare questions for discussion.
4. Discuss the issues with trainees during the discussion.

Application of Case Study

- problem diagnosis;
- problem diagnosis and finding options to solve the problem; and
- evaluation of actions to solve the problem.

Handouts and equipment:

- Role play scenario;
- Plates and roles for the Tender Committee members;
- Envelopes with tender bids;
- Markers;
- Roles for actors (draw is suggested); and
- Law “On Public Procurement for Public Funds”.

Mini-Case Studies: Analysis of Expenditures of a Raion Hospital (14-a) and Changing of a Local Budget Decision (14-b)

Task #14 Presentation Methods Alternative Training Methods

Goals:

- Development of possible methods of analysis of expenditures incurred by the spending unit (14-a);
- Development of possible variants of changing the budget appropriations (14-b)

Presentation methods:

The trainer gives out the tasks:

1. Teams #1-2 individually read the materials of “Analysis of Expenditures of a Raion Hospital” (14-a) (Annex #1 to Task #14-a) and:
 - analyze actual deviations from the approved allocations;
 - show the expenditure items which can be best tracked;
 - suggest possible mechanisms of control over these expenditure items;
 - suggest the best approach to monitor these expenditures? (20 min.); and
 - get ready to present the team’s solution (10 min.).
2. Teams #3-5 individually read the materials of “Changing Budget Appropriations” (Annex #1 to Task #14-b) and:
 - analyze the indicators of local budget execution in the 1st quarter; find objective reasons for changing the local budget decision;
 - draw up proposals on modifying the local rada decision on the local budget, or come up with other options of solving the problem given in the case study; and
 - suggest options for executing the local budget with a revenue shortfall in the 1st quarter.
3. Get ready to present the team’s solution (10 min.).
4. During the joint discussion one of the teams (#1-2) (#3-5) (upon trainer’s discretion) present their solutions (10 min. each). Discuss and reach consensus on the solutions.

Alternative training method: **Brainstorming**

Work out as many ideas as possible on the suggested topic during a short period of time:

Comments on delivery:

- Work out ideas on the given topic;
- Any topic-related solution is considered;
- During the brainstorming, proposals are not discussed;
- During the brainstorming, proposals are not criticized.

Handouts and equipment:

- Transparencies, overhead projector;
- Case study materials;
- Flip chart; and
- Markers.

Case Study
Analysis of Expenditures of a Raion Hospital (14-a)

Problem

The expenditures of the raion hospital in the town of Vysoke considerably exceed the approved allocations in the July-August period.

Solution

The administrator suggested a new approach towards the analysis – analysis of costs as per the groups of expenditures and analysis as per the areas of responsibility.

While analyzing the expenditures of a spending unit, the following aspects should be considered:

The key spending units must develop their financial policies on the basis of a real evaluation of expenditures stated in the budget unit accounts. The expenditures will have to be linked to the anticipated costs.

Any divergence is the difference between the planned and actual costs. The divergence can be explained by the changes in services in terms of volume, structure (type), price, efficiency and effectiveness. The analysis of divergence explains why the actual costs or expenditures are not consistent with the approved budget.

This analysis and explanations are part of the quarterly reports written and submitted by the unit and subunit managers to the key spending unit or to the financial body. The review of the efficiency and effectiveness of the expenditures relate directly to the responsibility for and accounting of the management for variable and semi-variable costs (including those allocated for the programmatic and estimation centers). Variable costs change in linear proportion to the extent of changes, e.g., delivery. Fixed costs remain unchanged irrespective of the level of activities, e.g., payroll, rents, overheads, and are mainly uncontrolled by the management, at least in the short period. Semi-variable costs include both fixed and variable components, e.g., monitoring personnel. The strategy of cutting expenditures should be consistent with the program objectives based on the need for achieving certain outputs with the budget funds. In order to maintain or increase the level of service, the capital should be used to bring the labor cost down wherever possible. In the short perspective, e.g. one fiscal year, the non-payroll related costs are more controlled than the costs related to the salaries and wages.

The system of cost accounting is the dividing of accounting of a given organization according to the groups of expenditures and areas of responsibility.

Goal – to improve performance and enhance responsibility.

Case Study **Changing the Local Budget Decision**

Question: is it not expedient to review local revenues and expenditures before cutting them? Consider the positive monthly dynamics of local budget payments, the need for a complete settlement of accounts in the first quarter as per an equalization grant, etc.

Possible solutions of problems arising during local budget execution (according to the case study)

1. Article #78 (Clauses 7 and 8) of the Budget Code stipulates the cases when decisions on the modification of a local budget must be made:
 - upon submission of an official conclusion of a local financial authority on over-execution (more than 15%, based on the results of the last three quarters) or under-execution (more than 15%, based on the quarterly report) of revenues of the general fund; and
 - in other cases provided for in the Budget Code.

The modification of a decision on a local budget can be premised on amendments to the Law on the State Budget for a respective year in terms of changes of amounts and types of inter-budgetary transfers.

In addition, according to Article #34 (last paragraph) of the Law on the State Budget of Ukraine for 2002, which empowers the Cabinet of Ministers of Ukraine, upon consent of the Budget Committee of the Verkhovna Rada of Ukraine, to redistribute subventions from the State Budget of Ukraine between the local budgets in 2002, based on the estimated amounts of exemptions, subsidies and assistance to citizens, it is necessary to make changes in the decisions of the oblast radas on the distribution of these funds between local budgets, and in the decisions of the local radas on changes in revenues and expenditures at the cost of the subvention from the State Budget.

Changes in the decisions on local budgets are required if some articles in the Law on the State Budget having to do with the process of local budget formulation are amended or edited, particularly:

- Article #37 on the procedure for calculation and transfer of additional grants;
- on sources of the special fund;
- provisions of Article #44 suspending Articles #92 and #93 of the Budget Code of Ukraine; and
- on other articles regulating inter-budgetary relations.

Under Article #122, local self-governments are responsible for violations of budget planning. Court rulings on violations of the Budget Code and the State Budget Law in the decisions on local budgets require making changes in these decisions.

According to Clause 33 of Article #2 of the Budget Code, which states that the draft budget is an integral part of the draft decision of a local rada on the local budget, changes in the rada decision require changes to be made in the plan for formulation and use of financial resources to ensure implementation of tasks and functions by the local self-governments during a budget period. The decision on changes in the local budgets includes adjustments of the indicators, according to the “Sample Decision” format.

2. In the situation under analysis it is possible to execute the revenue part of the budget provided that the expected funds are received under the equalization grant, and that the timing of payments to the budget are maintained and increased.

The trainees have to work out concrete proposals as regards the activities of local authorities to increase revenues. Onsite collaboration with the collection bodies and the public, as well as recommendations on improving the performance of the State Treasury in the Treasury servicing of local budget revenues, is expedient.

3. Consideration also needs to be made of the situation when the monthly expenditures are distributed as per the economic classification, but having disregarded the seasonality of their certain types and the specifics of functioning of certain organizations (e.g. education). The available budget resources must be distributed in the appropriate months according to the actual needs.
4. Loans are very expensive to the budget. Usually, needs for loans can be linked to ineffective and flawed budget apportionment.
5. The restriction of funds approved by the decision on the local budget of a spending unit infringes on the annual established procedure of the proper functioning of organizations and the delivery of services as the amounts of financing of certain types of activities have to be adjusted. The trainer-trainees' detailed discussion on this point is important.

Mini-Test: What is Treasury?

Task #15 Presentation Methods Alternative Training Methods

Goals:

1. Stimulate work of the participants.
2. Get prepared for discussion of the topic: “Treasury Servicing of Revenues and Expenditures of Local Budgets”.
3. Select the team which has the best knowledge of the Budget Code provisions on the Treasury servicing of local budgets.

Presentation methods:

1. The trainer introduces the task.
2. Each team selects a team leader who identifies a teammate respond to the questions.
3. The trainer identifies a team to answer the question, shows the question on a transparency and reads the question aloud. Time for reflection – 30 sec. Correct answer is awarded three points.
4. If the answer is wrong, the right to answer is given to another team (going clockwise).
5. After the Mini-Test the trainer summarizes and lists the results. The winning team is then awarded.
6. The trainer identifies the individual winner, taking into account the results of the previous tests. The winner is awarded a banner.

Alternative training methods:

“Brain-Ring”

“Written Test”

Handouts and equipment:

- Test “What is Treasury” with answers;
- Table “Team results”;
- Markers; and
- Prizes, banner.

Questions and Answers to the Test “What is Treasury”

1. At what stages does the State Treasury control the budget authorities?

When receipts are credited, obligations undertaken, and payments made.

2. What are the functions of the State Treasury in the Treasury servicing of local budgets?

Operations with local funds, cash servicing of spending units, control of budget authorities, accounting and reporting on the local budget execution.

3. Whose initiative is it to retrieve the funds wrongfully or excessively paid to the budget?

Collecting body’s initiative.

4. Insert the missing word.

The State Treasury oversees the consistency of operating budgets of key spending units with the budget *apportionment*.

5. What are the three criteria, according to the Budget Code, that the State Treasury must follow to make payments through the key spending units' orders?

- a. If an appropriate budget commitment is available in the budget execution accounting;
- b. If spending targets are consistent with budget allocations; and
- c. If key spending units have unspent budget resources.

6. Finish the sentence.

Taxes, levies and other local budget revenues are entered directly into an account of a relevant budget open with *the territorial branch of the State Treasury*.

7. Who sets the frequency, structure and deadlines for reporting on local budget execution?

The State Treasury of Ukraine.

8. What is the deadline for the State Treasury submitting monthly reports on local budget execution?

No later than the 15th of the month after the reporting month.

9. What is the sequence of operations of the State Treasury?

Redemption of excessively or wrongfully paid amounts.

Distribution of payments as per the standards.

Settlement of accounts as per inter-budgetary transfers.

10. What does the credit balance as per the budget accounting 6121 "Revenues of the General Fund of a Local Budget" show?

It gives information on receipts with the account of redemption of payments of the general fund on an accrual basis from the beginning of the year.

11. Is a balance on account 3141 allowed by the end of the day?

No, it is not allowed.

12. Is it true that the balances of detailed accounts 3142 are written off to accounts 3141 on the basis of historical documents?

No. The balances on the respective detailed accounts 3141 formed by the end of the business day are transferred to accounts 3142.

13. Which agency reports to the State Treasury on changes to the apportionment?

The financial body or key spending unit.

14. What is the purpose of opening detailed account 3142 "Funds of the General Fund of Local Budgets"?

For daily accumulation of payments made to the general fund of local budgets.

15. True or false: the uniform accounting forms on execution of the local budget are established by the Ministry of Finance and approved by the State Treasury?

True or False.

The uniform accounting forms on execution of the local budget are established by the State Treasury and approved by the Accounting Chamber and the Ministry of Finance.

Team Exercise - General Scheme of Local Budget Expenditure Management

Task #16 Presentation Methods Alternative Training Methods

Goal:

Increase in knowledge about the system of local budget expenditure management

Presentation methods:

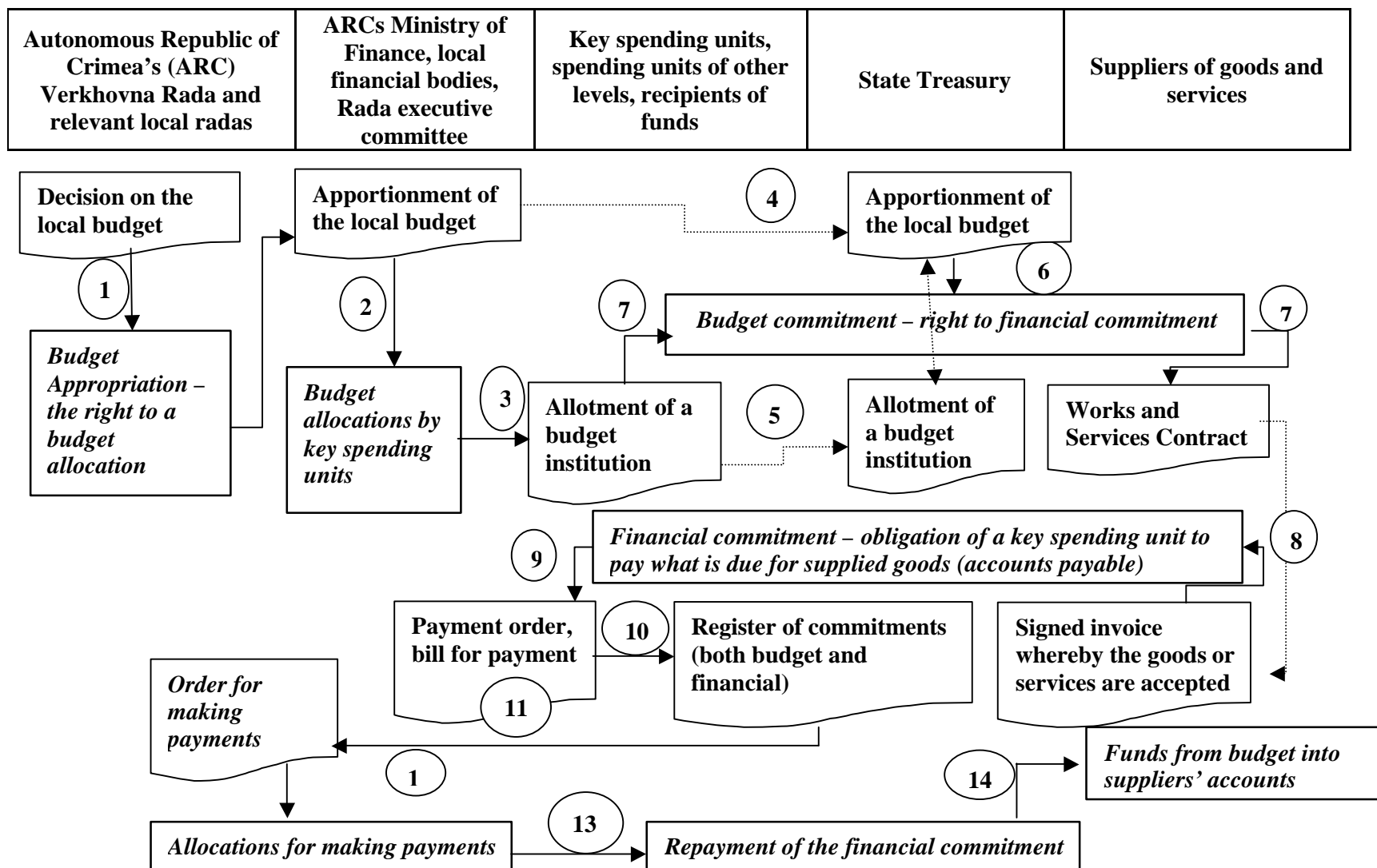
1. The trainer gives the teams the blank table-model of the general scheme of local budget expenditure management, a glue pen and elements to the scheme of local budget expenditure management (printed on ½ of an A-4 paper).
2. The trainer gives these tasks:
 - Using the materials, show with arrows the relationships between the budget participants; make the general scheme of local budget expenditure management.
 - on the scheme (see Annex #1 to Task #16), position the elements given in Annex #2 according to the Budget Code provisions (25 min.).
 - get ready to make a presentation.
3. During the joint discussion the teams present and argue in favor of their solutions, giving references to appropriate documents (30 min.).

Alternative training method: **Demonstration**

1. The trainer demonstrates the transparency of the “Scheme of Local Budget Expenditure Management”.
2. During the joint discussion, the participants identify the strengths and weaknesses of the management of local budget expenditures.

Handouts and equipment:

- Flip chart;
- Blank table-model of the general scheme of local budget expenditure management;
- Glue pen;
- Elements to the scheme of local budget expenditure management (printed on ½ of an A-4 paper);
- Markers; and
- Overhead projector.



General Scheme of Local Budget Expenditure Management

Mini-Test: Control of Compliance with Budget Legislation and Responsibility for Budget Violations

Task #17 Presentation Methods Alternative Training Methods

Goal:

Discuss the powers of controlling authorities and responsibility for budget violations

Presentation methods:

1. The trainer introduces the topic and training method.
2. Each team selects a team leader who identifies a teammate to answer questions.
3. The trainer identifies a team to answer a question, shows the question on a transparency and reads the question aloud. Time for reflection – 30 sec. Correct answer is awarded three points.
4. If the answer is wrong, the right to answer is given to another team (going clockwise).
5. After the Mini-Test the trainer summarizes and posts the results. Then the winning team is awarded.
6. The trainer identifies the individual winner, taking into account the results of the previous tests. The winner is awarded a banner.

Alternative training methods:

“Brain-Ring”

“Written Test”

Handouts and equipment:

- Test “Control of Compliance with Budget Legislation and Responsibility for Budget Violations” with answers;
- Table “Team results”;
- Markers; and
- Prizes, banner.

Questions and Answers to the Test “Control over Compliance with the Budget Legislation and Responsibility for Budget Violations”

1. The authority of the Verkhovna Rada extends to control of compliance with the budget legislation at every step of the budget process.

Correct

(Clause 1, Art. #109)

Wrong

2. The authority of the Verkhovna Rada over the control of compliance with the budget legislation extends to:

1) hearing progress reports on execution of the State Budget of Ukraine, including reports of key spending units on spending of funds from the State Budget of Ukraine;

2) control over spending of funds from the Reserve Fund of the State Budget.

Correct

(Clause 3, Art. #109)

Wrong

3. The authority of the Accounting Chamber over the control of compliance with the budget legislation includes control over:

- spending of budget funds for the financing of authorities of local state administrations and authorities of executive bodies delegated to the local self-governments as regards revenues and expenditures.

Correct (Art. #110)

Wrong

4. The Ministry of Finance of Ukraine supervises compliance with the budget legislation at every step of the budget process in terms of both the State Budget and local budgets, unless otherwise stipulated by the laws of Ukraine.

Correct (Art. #111)

Wrong

5. The State Treasury of Ukraine:

- supervises the targeted efficient and effective spending of funds from the state and local budgets.

Correct

Wrong (Art. #112)

- accounts for revenues and expenditures of the State Budget of Ukraine;
- oversees the payments to match commitments and budget allocations.

6. The State Control and Auditing Service of Ukraine submits quarterly executive summaries on audits to the Verkhovna Rada and the Ministry of Finance.

Correct

Wrong (Art. #113,

Clause 2)

7. The control over compliance of indicators of approved budgets, apportionments and allotments with the budget legislation is exercised by:

- oblast state administrations for raion, city, town and village budgets.

Correct

Wrong (Art. #115)

- oblast state administrations towards raion and city (raion significant cities) budgets.

8. A budget violation is a budget participant's noncompliance with the procedures of formulation, consideration, approval, modification, execution and/or reporting established by the Budget Code and other normative and legal acts.

Correct (Art. #116)

Wrong

9. The grounds for suspension of budget allocations are:

- Failure to follow the standards of accounting, reporting and internal financial control over budget funds and failure to transfer the funds in a consistent manner;
- Submission of inaccurate reports and information on budget execution; and
- Misuse of budget funds.

Correct (Art. #117)

Wrong

10. If the funds received as a subvention are misused, they must be returned to a respective budget according to a procedure established by the Cabinet of Ministers of Ukraine.

Correct (Art. #117)

Wrong

11. Operations with budget funds can be suspended up to twenty days unless otherwise stipulated by the law.
Correct **Wrong** (Art.#120 - up to 30 days)
12. A budget violation committed by a key spending unit or a recipient can be grounds for holding accountable the manager or those responsible, depending on the nature of their deeds.
Correct (Art. #121) **Wrong**
13. If the decision on the local budget is suspended, the funds are expended at the level of the previous year.
Correct **Wrong** (Art. #122)
 Funds are expended according to the decision for the previous budget period, excluding capital expenditures, but not greater than 1/12 of the previous budget.
14. Managers of bodies of the State Treasury of Ukraine are hold personally responsible for budget violations and noncompliance with the Treasury servicing standards established by the Budget Code.
Correct (Art. #123) **Wrong**
15. The punishments for budget violations are inflicted through decisions of the Minister of Finance, head of a State Treasury body, head of a Control and Auditing Service body, Minister of Finance of the Autonomous Republic of Crimea, head of a local financial body, executive head of a city of raion significance, or heads of town and village radas.
Correct (Art. #124) **Wrong**
16. The decision on punishment for the budget violation comes into force as of the day it is determined and is subject for immediate implementation.
Correct **Wrong** (Art. #124 - as of the day of its being signed)
17. The format and procedure for documenting a budget violation are approved by the State Control and Auditing Service of Ukraine.
Correct **Wrong** (Art. #124 – Ministry of Finance)
18. The decision on infliction of the punishment for a budget violation can be contested with the same body or in the court within seven days after it is taken, unless otherwise stipulated by the law.
Correct **Wrong** (Art. #125 - 10 days)
19. Contesting of the decision on infliction of a punishment for budget violation suspends the implementation of this decision.
Correct **Wrong** (Art. #125)

Practical Task - Evaluation of the Fiscal Condition of a Local Budget

Task #18 Presentation Methods Alternative Training Methods

Goal:

Development of skills to evaluate a territorial unit's solvency

Presentation methods:

1. The trainer asks all the teams to:
 - a) identify indicators to help evaluate the solvency of a territorial unit;
 - b) shortlist the seven most important indicators in the team's opinion;
 - c) do the necessary calculations to find out the score of each territorial unit;
 - d) get ready for a presentation (5 min.).
2. The trainer identifies one participant from each team to form an Expert Board.
3. After the teams present their team solutions, the Expert Board assesses the teamwork and identifies a winner.

Alternative training method: Expert Evaluation

1. Do the tasks in teams.
2. Pass solutions to other teams for their analysis.
3. The Expert Team presents its analysis of the solution of the first team.

Handouts and equipment:

- Transparencies;
- Flip chart;
- Markers; and
- Overhead projector.

Solution for Task #18

“Evaluation of Fiscal Condition of a Territorial Unit”

Evaluation indicators:

- Evaluation of taxpaying capacity.
- Involvement of credit resources (taking into account past unfunded debt liabilities). The higher the indicator, the lower the taxpaying capacity.
- Evaluation of debt burden – ratio of the debt to the amount of revenues and accounts payable.
- **Budget evaluation criteria:**
 - The ratio of deficit/revenues shows the degree the budget is balanced.
 - Ratio of revenues unaccounted for in the calculation of inter-budgetary transfers to the budget.
 - Specific weight of the capital budget.
 - Ratio of the special fund/budget.
 - Expenditures per capita.
 - Number of employees per capita.

Evaluation of Solvency of a Territorial Unit

Indicators to evaluate fiscal condition	Territorial Units							
	A	r	B	r	C	r	D	r
Specific weight of budget in general receipts, %	80.0	4	33.0	1	45.0	2	72.0	3
Budget execution, %	102.0	3	99.0	4	107.0	2	141.2	1
Revenues per capita (total), UAH	319.8	2	293.4	3	354.0	1	261.4	4
Specific weight of revenues not considered in calculation of inter-budgetary transfers, %	17.1	4	50.4	1	18.8	3	49.3	2
per capita, UAH	54.6	4	90.0	2	66.6	3	128.8	1
Specific weight of capital budget	3.3	4	4.5	3	7.4	1	5.9	2
per capita, UAH	10.5	4	13.3	2	26.3	1	11.9	3
Specific weight of general fund	66.2	3	61.3	4	73.3	2	77.4	1
Specific weight of equalization grant	6.7	4	-	2	-	1	6.3	3
Losses of revenue resulting from privileges granted by the local rada, thousand UAH	1.9	4	0.1	3	0.05	2	0.03	1
Specific weight of arrears, %	5.8	3	2.5	2	1.1	1	6.1	4
Balance for the beginning of the year	0.7	4	1.9	2	2.5	1	1.3	3
Specific weight of accounts payable, %	12.5	3	12.2	2	12.0	1	13.5	4
per capita, UAH	40.0	3	35.7	2	42.3	4	35.2	1
Income of communal enterprises per capita, thousand UAH	5.5	3	10.5	1	7.4	2	4.7	4
Rating	52	4	34	2	27	1	37	3
Management of Local Finances								
Quality of planning (number of revenue sources out of 32 executed)	4		3		1		2	
Economy resulting from energy-saving activities, thousand UAH	-		480.0 1.2		-		150.0 0.4	
Tender for procurements and contracts	1		1				1	
Issuance of local bonds			1					
Violation of debt repayment terms	-		-		-		1	
Budget hearings	+		+		+		+	
Involvement of short-term loans	+		-		-		+	
Rating	14		12		13		9	
Total rating								

During the discussion, the trainees determine the seven indicators which are the most important to characterize local budget solvency. The trainer summarizes.

Evaluation of credit capacity

- Analysis of financial operations:
 - Validity of financial information;
 - Evaluation of economic and tax bases;
 - Expenditures:
 - Own resources/general receipts;
 - Inter-budgetary transfers;
 - Arrears (as a part of general receipts);
 - Debt burden (debt per capita);
 - Inter-budgetary transfers/debt servicing;
 - Receipts from own sources/debt servicing; and
 - Reserves/general expenditures.
- Budget analysis:
 - Actual execution of revenues and expenditures;
 - Capital budget; and
 - Comparative analysis of expenditures (as per the programs and economic categories).

Post-Training Test: - Execution of Local Budgets

Task #19 Presentation Methods Alternative Training Methods

Goals:

1. Evaluate the improved skills and knowledge in the execution of local budgets as a result of the training.
2. Select the winning team based on the results of all tests completed during the training.

Presentation methods:

The trainer enumerates the tasks:

1. Each trainee has 15 minutes to individually answer the questions of the Post-Training Test “Execution of Local Budgets According to the Budget Code”; then s/he fills in Form #1 and hands it to the trainer.
2. After the individual work, the teams answer the questions of the Test “Execution of Local Budgets” (team discussion 20 min.).
3. On the basis of the produced solutions, the teams fill in Form #2 and hand it to the trainer to determine the winning team.
4. The trainer hands out Form #3 with the keys to the test. The teams calculate the team results (5 min.). Rating: correct answer – three points, the maximum possible – 90 points. The calculations are given to the trainer.
5. The trainer answers the most problematic questions of the test.
6. The trainer calculates the teams’ results, posts the data, compares the teams’ results and identifies the winning team.
7. Also, the trainers identify the winning team according to the results (i.e., the grand total of points) that the teams achieved during the training seminar.
8. The winning team is awarded a prize. During lunch, the trainers do the calculations to find the individual winner. The trainers announce the results and the winner receives an award during the general summary of the training seminar.

Alternative training method: *Mini-Test*

1. The trainer identifies a team (trainee) to ask a question and reads it.
2. A trainee answers the question.
3. If the answer is wrong, the right to answer the question is given to another team.
4. After the mini-test the trainer summarizes and identifies the winner.
5. The winner is awarded a prize (the winner can be either a team or a trainee).

Handouts and equipment:

- Post-Training Test “Execution of Local Budgets” with answers;
- Form #1 – 30 pcs.;
- Form #2 – 5 pcs.;
- Form #3 – 30 pcs.;
- Table “Team’s Results”;
- Prizes for winning trainees;
- Prizes for winning team; and
- Markers.

Test (Post-Training): “Execution of Local Budgets”

- 1. At what stage of the budget process does the Ministry of Finance exercise control of adherence to budget legislation?**
 - A. Budget formulation.
 - B. Budget execution.
 - C. Every stage. * (Article #111 of the Budget Code)

- 2. Deficits of the budget of the Autonomous Republic of Crimea and the City budgets can be eliminated at the cost of:**
 - A. Balances at the beginning of the year when the revenues are not executed.
 - B. Over-execution of the revenues.
 - C. ? and ? are wrong. *

- 3. Changes are made in the decision on the local budget in case of:**
 - A. Under-execution of the revenues.
 - B. Changes in the amount of subvention.
 - C. ? and ? are correct. * (Article #78, Clauses 7, 8 of the Budget Code)

- 4. The credit balance on the analytical account of revenues shows:**
 - A. Information on revenues of each type.
 - B. Information on revenues taking into account the refund for each type of revenue. *
 - C. Information on revenues to the general fund.

- 5. Payments for lease of property in communal ownership are attributed to:**
 - A. Revenues to the capital budget.
 - B. General fund. * (Article 69 of the Budget Code)
 - C. A and ? are wrong.

- 6. Decisions on penalties for budget violations are based on:**
 - A. Reports (protocols) on budget violations.
 - B. Inspection reports and related documents.
 - C. Justification of the budget violation. * (Article #124 of the Budget Code)

- 7. Can loans be used for the general fund of the local budget?**
 - A. Yes, as a source to cover the deficit.
 - B. No, loans may be used only for the capital budget. * (Article #74 of the Budget Code)
 - C. Yes, for a specific purpose.

- 8. What is the sequence of operations performed by the State Treasury to process the payments made to the local budget?**
 - A. Distribution of payments by the norms.
 - B. Payments of intergovernmental transfers.
 - C. Refund of payments made by mistake. *

- 9. Subventions from the State Budget for investment projects are provided on the basis of:**
- A. Competition between the budgets. * (Article #105 of the Budget Code)
 - B. Priorities.
 - C. Repayment.
- 10. Amounts of the subvention for the national programs for social protection are transferred:**
- A. Once a month (on the 5th).
 - B. Twice a month (on the 5th and 25th). *
 - C. Three times a month (on the 5th, 15th and 25th).
- 11. In the process of servicing the revenues of the local budgets, the State Treasury units have the following functions:**
- A. Distribution of payments. *
 - B. Making conclusions as to the refund of the payments made by mistake.
 - C. ? and ? are correct.
- 12. In case of a violation of the budget formulation requirements, heads of local governments have the right to postpone the decision on the local budgets within the period of:**
- A. Two months after the decision on the local budget was made.
 - B. One month after the decision on the local budget was made. * (Article #122 of the Budget Code)
 - C. One month after the violation was detected.
- 13. Who ensures execution of the relevant local budgets?**
- A. State Treasury units.
 - B. Executive authorities of the local radas or city, town and village mayors. * (Article #78 of the Budget Code)
 - C. Local radas which approve these budgets.
- 14. Local governments may provide guarantees on debt liabilities:**
- A. Exclusively, within the amount of the capital budget.
 - B. Exclusively, within the authorities established by the decision on the local budget. * (Article 17 of the Budget Code)
 - C. Exclusively, within the amount of excess of revenues over expenditures.
- 15. When are taxes, duties and other revenues recognized as the revenues of the local budget?**
- A. When entered on the accounts of the collecting authorities.
 - B. When entered on the account of the local budget. *
 - C. A and B are wrong.
- 16. The report (protocol) on budget violations made by the official of the financial authority of the raion State administration is submitted to:**
- A. The Head of the Main Financial Authority.
 - B. The Head of the Raion State Administration.
 - C. The Head of the Raion Financial Department. *

- 17. A negative balance is allowed on the accounts:**
- A. For budget accounting of “Revenues of the General Fund of the Local Budget” as a total.
 - B. Of specific detailed accounts. *
 - C. No negative balance is allowed.
- 18. Payments made to the local budget in cash are entered on the basis of:**
- A. Payment orders of banks.
 - B. A mail notification slip.
 - C. ? and ? are correct. *
- 19. Can subventions be transferred from one local budget to another for investment projects?**
- A. No, this is prohibited by the Budget Code.
 - B. Yes, based on an agreement. * (Article #107 of the Budget Code)
 - C. A and B are wrong.
- 20. Payments made in excess or by mistake, which are temporarily attributed to the revenues of the local budget, are refunded:**
- A. From the relevant detailed accounts.
 - B. From the relevant detailed accounts within the current daily revenues. *
 - C. ? and ? are wrong.
- 21. In the process of execution of the local budgets, the key spending units ensure:**
- A. Achievement of specific results.
 - B. Proper management of budget allocations.
 - C. A and B are correct. * (Article #22 of the Budget Code)
- 22. Which of the following sequences of the budget execution stages are correct?**
- A. Undertaking budget commitments; receipt of goods and services; making payments. * (Article #51 of the Budget Code)
 - B. Making payments; undertaking commitments; receipt of goods, works and services.
 - C. Undertaking budget commitments; making payments; receipt of goods, works and services.
- 23. Local programs of social protection are funded at the cost of:**
- A. Subvention.
 - B. Revenues which are not taken into account for the calculation of intergovernmental transfers. * (Article #91 of the Budget Code)
 - C. ? and ? are correct.
- 24. Payments from the budget may be made if there is:**
- A. A relevant budget commitment.
 - B. Allocations.
 - C. ? and ? are correct. * (Article #51, Clause 8 of the Budget Code)

- 25. The financial authorities prepare registers on the amounts of privileges for veterans and monetary assistance for families with children based on:**
- A. Acceptance certificates.
 - B. Reports on verification of payments for the services provided. *
 - C. Registers of key spending units.
- 26. Reports (protocols) on budget violations are made on the basis of:**
- A. Inspection reports.
 - B. References to the checks proving the violations. *
 - C. ? and ? are correct.
- 27. Is it allowable to transfer money from the general fund to the special fund in the process of execution of the local budget?**
- A. Yes.
 - B. No.
 - C. Yes, based only on the decision of the local rada. * (Article #71, Clause 4, of the Budget Code)
- 28. Quarterly and annual reports on execution of the local budget are submitted to the relevant rada within the period of?**
- A. One month.
 - B. Two months. * (Article #80, Clause 4, of the Budget Code)
 - C. By April 1.
- 29. What is an untargeted use of budget funds?**
- A. Spending for purposes other than the budget appropriations.
 - B. Spending for purposes other than the budget allocations.
 - C. ? and ? are correct. * (Article 119 of the Budget Code)
- 30. The conditions and procedures for provision of the subvention for the implementation of the local own authorities are established by:**
- A. Resolution of the Cabinet of Ministers of Ukraine.
 - B. Budget Code of Ukraine.
 - C. A respective agreement. * (Article #106 of the Budget Code)

Form #1

Name _____

Individual Test #2
"Execution of Local Budgets"

#	Answers	Score	#	Answers	Score
1.			16.		
2.			17.		
3.			18.		
4.			19.		
5.			20.		
6.			21.		
7.			22.		
8.			23.		
9.			24.		
10.			25.		
11.			26.		
12.			27.		
13.			28.		
14.			29.		
15.			30.		

		+	-
Maximum possible score		90	
Your score			

Team Test #2
"Execution of Local Budgets"

#	Answers	Score	#	Answers	Score
1.			16.		
2.			17.		
3.			18.		
4.			19.		
5.			20.		
6.			21.		
7.			22.		
8.			23.		
9.			24.		
10.			25.		
11.			26.		
12.			27.		
13.			28.		
14.			29.		
15.			30.		

		+	-
Maximum possible score		90	
Your score			

Form #3

**Key to Individual Test #2
"Execution of Local Budgets"**

#	Answers	Score	#	Answers	Score
1.	?		16.	?	
2.	?		17.	B	
3.	C		18.	C	
4.	?		19.	?	
5.	?		20.	B	
6.	?		21.	C	
7.	?		22.	A	
8.	?		23.	?	
9.	A		24.	?	
10.	?		25.	?	
11.	A		26.	B	
12.	B		27.	C	
13.	?		28.	B	
14.	?		29.	?	
15.	B		30.	?	

		+	-
Maximum possible score	90		
Your score			

Module #3 Alternative Training Methods

“Brainstorming”

Brainstorming is usually held when it is necessary to generate as many ideas as possible within the shortest period of time.

Comments on brainstorming:

- 1). Ideas on the topic are generated;
- 2). Any subject-related decision is considered;
- 3). Proposals are not discussed;
- 4). Proposals are not criticized; and
- 5). Proposals can be delivered orally or in writing.

“Moderating”

1. Each team gets a few cards (on the basis of 30-35 cards per group).
2. The trainer asks each team to work out problematic issues within a given time.
3. The trainer groups the cards against one identified feature.
4. Using sticky dots, the trainees identify their priorities, preferences, etc.
5. The trainer, as the moderator, leads a discussion and summarizes the results.

“Discussion”

By means of asking questions, involve the trainees in active sharing of information and experience.

“Colloquium”

1. Hearing a report on a given topic.
2. Discussion of the report.
3. Q-A session.
4. Summary.

“Work in circle”

The trainer poses questions, and the trainees answer the questions in turn (going clock-wise).

“Mini-Test”

1. The trainer reads a question to a pre-identified team (trainee).
2. A team member answers the question.
3. If the answer is wrong, another team has a try.
4. After the mini-test, the trainer summarizes and identifies the winner.
5. The trainer rewards the winning team or participant.

“Case Study”

1. Describe the case study.
2. Identify problems to be solved.
3. Prepare questions for discussion.
4. Discuss the issues with trainees.

Application of case study

- problem diagnosis;
- problem diagnosis and finding options to solve the problem; and

- evaluation of actions to solve the problem.

“Expert evaluation”

1. Work in teams;
2. The teams exchange their solutions for analysis.
3. The expert team presents the solutions of the first team.

“Pair discussion”

1. The teams are given a specific task.
2. Each team works out its task on paper or in the computer.
3. The teams are divided into subteams of two or three and are asked to share 150 (100) points amongst themselves, according to the quality of their work.
4. Summary, finding the best solution (per the average results).
5. Fill out the table with the total of winning points.
6. General summary; the winning team gets a prize.

“Algorithm labyrinth”

4. The situation is described in writing.
5. The participants are given a list of possible actions (situations differ from team to team).
6. The teams complete the tasks.
7. Goal: the participants develop different algorithms for solving a problem.

“Debate”

The audience splits into two teams having two opposite opinions on the same issue. The trainer asks questions and the teams answer in turn.
Goal: reaching agreement on certain issues.

“Demonstration”

1. The trainer demonstrates a positive solution of the problem while explaining the procedure.
2. The trainees demonstrate their own skills to solve an analogous problem.

“Role-play”. Training through action.

1. Write a pilot situation for resolution.
2. Distribute roles among the training participants.
3. During the discussion the role-play participants make decisions to solve the problems.
4. After the decision is taken, the role-play delivery is discussed.
5. The trainer summarizes.

GOOD LUCK!